FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT

No. 27,806 Monday March 5 1979 ***15p

CONTINENTAL SELLING PRICES: AUSTRIA Sch 15; BELGIUM Fr 25; DENMARK Kr 3.5; FRANCE Fr 3.5; GERMANY DM 2.0; ITALY L 600; NETHERLANDS Fl 2.0; NORWAY Kr 3.5; PORTUGAL Esc 25; SPAIN Pts 50; SWEDEN Kr 3.25; SWITZERLAND Fr 2.0; EIRE 15p

NEWS SUMMARY

GENERAL

Rioting flares in Belfast

Rioting flared in Belfast as 1,500 Republican sympathisers marched in support of the Maze prison's H block inmates who are seeking political status.

The protesters, moving in from the Falls Road, were halted on the edge of the city centre by a strong police cordon.

Bottles and stones were hurled at police. A car park wall and the attendant's hut were ripped apart to provide ammunition.

Giscard faces crisis decision

President Valery Giscard D'Estaing returned from an official visit to Mexico to face a delicate decision on whether to call an emergency session of Parliament on France's unemployment crisis.

The President's Gaullist allies and the Left-wing opposition are pressing for a parliamentary debate following increasingly violent protests by groups of workers against Prime Minister Raymond Barre's economic policies. There are 1.3m jobless in France.

Pollution fears

Demands for the Sullom Voe oil terminal to be shut until it can be proved safe are increasing throughout Shetland as fears grow, particularly among environmental groups, that the islands may become permanently polluted with oil. Page 5

Bhutto move

A secret visit to Saudi Arabia by two Pakistan Government Ministers and a senior army general is believed to be related to the fate of Mr. Bhutto, the country's former Prime Minister. King Khaled of Saudi Arabia recently appealed to General Zia, Pakistan's military ruler, to rescue Mr. Bhutto from the hangman's noose. Page 2

York flood

The River Ouse burst its banks at York, flooding many roads and several houses and 180 hotel guests had to be ferried to higher ground by the RAC Rescue Service. The flood was the result of a thaw which sent river levels soaring.

Race protest

Hundreds of demonstrators gathered outside Winchester Prison to protest at the detention of race rebel Robert Relf who has been on a hunger strike since January 31. Relf, 54, is serving a 15 month jail sentence for publishing material likely to incite racial hatred.

Top soldier

President Idi Amin declared his wife Sarah the best woman commander in the Ugandan armed forces after she led a women's military unit through heavy fire without his knowledge. An invasion force from Tanzania is still reported to be advancing.

High lifers lose

Lovers of the high life discovered that the Iranian revolution had touched the country's best-known product after oil—caviar. Callers at a state caviar shop found armed guards at the door. Shop assistants said sales of the luxury food had been temporarily suspended.

Briefly . . .

Fifty fish were caught in London's River Thames—the largest catch yet in the capital's annual angling match.

MP demanded setting up of a Royal Commission on animal protection following news of the killing of 48 "smoking beagles" used to test a tobacco substitute.

BUSINESS

Industry sees gloom ahead

● INDUSTRY'S confidence about prospects for the economy has fallen into its lowest level since the end of 1976.

The latest Financial Times survey of business opinion shows that strikes, inflation prospects, the low level of world trade and the Government's apparent inability to create a sound economic and industrial climate are all contributing to industry's gloom.

The results of the survey are broadly in line with those of the CBI's monthly trends inquiry published a month ago and point to an easing in demand pressures. Back and Page 31

● DRUG manufacturers have begun cutting off supplies of prescription medicines to wholesalers in an attempt to enforce pharmaceutical resale price maintenance.

Smith Kline and French, a U.S.-based producer, has stopped supplying Macarthys, one of the largest UK drugs wholesalers, and Beecham has reduced normal discounts offered on NHS prices. Back Page

● FINANCIAL position of the company sector is likely to deteriorate further this year, leading to an acceleration in demand for bank loans, according to a survey from Barclays Bank. Page 4

● THREE of Britain's largest finance houses — Mercantile Credit, Lombard North Central and Forward Trust—are to seek the status of recognised banks under the provisions of the Banking Bill. Page 4

● WORLD EUROMARKET grew at a record rate to more than $800bn in the third quarter of 1978, according to Bank of International Settlements figures. Page 35

● SHIPBUILDING nations of the developed world meet in Paris this week to discuss possible changes in credit arrangements governing the building of new ships. Page 5

● OPEC PRESIDENT has said that the Middle East oil exporting countries may consider blacklisting oil companies who have taken unfair advantage of the Iranian cutback in supplies of crude to sell refined oil products at high prices to Arab producers. Page 2

● SHELL TRANSPORT and Trading shareholders group hopes to put a resolution at the annual meeting in May criticising the part played by the company in breaking oil sanctions against Rhodesia. Page 4

● BL Coventry dispute involving 300 Triumph machinists could spread throughout the company, following BL's threat to dismiss all those who did not report for normal work today. Page 4

● THOMSON CSF, the French electronics group, has broken into the international telephone equipment market with a contract from the Soviet Union, believed to be worth more than $100m. The contract, for the supply of technology and manufacturing plant, is the first important overseas sale of modern digital switching equipment since the company moved into the market three years ago. Back Page

● ROLLS-ROYCE plans a new £5m factory at Pallion in Sunderland to cope with increased demand for its RB211 engines.

● AMERICAN CAN'S UK subsidiary, Reads, is to build a £10m can manufacturing plant at Runcorn on Merseyside. Page 4

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FEATURES

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Britain and China sign £7bn economic co-operation pact

BY JOHN ELLIOTT in Peking

Britain and China signed a £7bn economic co-operation agreement last night in Peking. It is intended to pave the way for major UK contracts in China's massive industrialisation programme.

The five-year agreement is backed up by a new £2.5bn line of credit in dollars, supported by the Export Credits Guarantee Department on behalf of the Government.

China's increasing concern about the amount of foreign debt she is on the verge of running up with major overseas orders has meant that no firm contracts or detailed industrial protocols are attached to the agreement.

The £7bn figure falls short of the £10bn target set by the Department of Industry in London.

The signing of the agreement marked the end of a nine-day visit to China by Mr. Eric Varley, the Industry Secretary, and a delegation of ten leading industrialists, each of whom has laid the ground for possible future business.

Just before the signing Mr. Varley met Mr. Hua Guofeng, (Hua Kuo Feng) the Chinese Premier, and discussed both the agreement and the Vietnam fighting.

Various initiatives have been launched during the visit, and the prospect of direct British Airways flights between London and Peking has drawn nearer as a result of representations by Mr. Varley's delegation.

Britain hopes that agreement on the flights may be reached when Dr. David Owen, the Foreign Secretary, visits Peking soon.

One of the first contracts to be signed after Mr. Varley's visit is likely to be a £60m steel plant order for Davy International.

This is part of a joint venture to start a £500m modernisation of the Peking Shoudu steelworks, with British Steel Corporation which itself has sold 350,000 tonnes of steel to China in the past 12 months.

The corporation aims to raise this figure to 1m tonnes by the mid-1980s. It is also hoped soon to win a design contract for a £500m alloy steel plant, and will submit other major bids later this month.

Mr. Varley welcomed the agreement as a "challenging framework for the expansion of trade," but admitted he would have liked a higher figure than the £7bn, the same amount as that agreed recently between France and China.

Premier Hua made clear during his talks with Mr. Varley that China was concerned about her ability to phase payments for major overseas orders, especially in the early years of industrialisation.

He added, however, that the £7bn figure "ought to be exceeded," said Mr. Varley.

The new credit arrangements were drawn up during the past week by Mr. Ken Cotterill, of the Export Credit and Guarantee Department, at the request of the Chinese.

An exchange of letters is to take place committing the Government, through the ECGD, to support credit of £2.5bn until 1985, raised by UK clearing and merchant banks.

This will absorb a £600m facility arranged at the end of last year by the ECGD and the Bank of China with seven groups of UK banks. It will include credit facilities planned by Britain's five clearing banks for steel projects and by four merchant banks led by S. G. Warburg for coal projects.

The details of how the money will be arranged have yet to be finalised, but promises already made by the banks for some £6.6bn on possible steel projects, which is now unlikely to be

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Begin tells US to consult Egypt on peace deadlock

BY DAVID BUCHAN IN WASHINGTON

THE U.S. should now consult Egypt on how to break the deadlock in the Middle East peace negotiations, Mr. Menahem Begin, the Prime Minister of Israel said yesterday, making it clear his talks with President Carter since Thursday had made very little progress.

President Carter admitted last night that three formal sessions with Mr. Begin "didn't make any progress."

Mr. Begin said on U.S. television: "As long as we did not solve the major issues, there is a major crisis. He disagreed sharply with President Carter's assessment last week that the differences still dividing Egypt and Israel were "absolutely insignificant."

The Israeli Premier said Egypt's insistence that its treaty with Israel should be subordinate to its Arab commitments went to "the heart of the peace treaty."

Mr. Begin, in an intransigent mood, seemed to indicate his talks with the U.S. President had virtually come to an end, although he said they were due to meet again later yesterday. The White House provided no immediate confirmation of this.

There would have to be "very serious reflection by all parties" in the negotiations, Mr. Begin said, stressing confidently that he saw no tragedy in the continued delay in reaching an agreement.

While he called Mr. Carter "an honest man and my friend" Mr. Begin came very close to questioning whether the U.S. was any longer playing the role of honest broker between Egypt and Israel.

Some progress had been achieved, Mr. Begin said, particularly on Article Four of the proposed treaty. This concerns implementation of its terms and Israeli withdrawal from the occupied territory of Sinai.

Egypt has sought to link implementation of the treaty to movement towards autonomy for the Palestinian Arabs in the West Bank of the Jordan and the Gaza Strip. But the Israeli leader said more talks would be needed on Article Six, concerning Egypt's desire to attach a rider relating the treaty to Cairo's obligations to its Arab allies.

Cash limits 'could save £1bn'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

TIGHT APPLICATION of cash limits on public spending could save at least £1bn of potential excess expenditure caused by wage settlements above the Government's original pay guidelines, officials in Whitehall believe.

This estimate is of key importance in determining the size of tax increases and any other expenditure changes needed in the Budget in order to keep public-sector borrowing below £8.5bn in 1979-80.

A joint Treasury and Civil Service Department study has been made of the extent to which public-sector pay rises above 7 per cent can realistically be offset through manpower savings—for example, by natural wastage—and hence how far cash limit ceilings may have to be adjusted.

This follows the statement ten days ago by Mr. Joel Barnett, Chief Secretary to the Treasury, that a substantial proportion of any excess cost from high pay deals will have to be absorbed within existing limits.

Officials believe that savings of at least £1bn, and possibly as much as £1.5bn, can be achieved through a reduction of some manpower costs and also through tight controls on the purchase of bought-in goods from the private sector, about half of all public spending. Cash limits are not being adjusted to take account of a faster rate of price increase on these non-wage items than previously assumed.

Such a squeeze would achieve back-door cuts in the volume of spending and would reduce the scale of any fiscal action in the Budget.

The official calculations are inevitably tentative since the main central government pay claims have still to be settled. Hence the extent of any changes is unknown, and this, together with the loophole about possible adjustments in cash limits on pay, has produced a sceptical view among certain City analysts, who will be watching closely to assess the plausibility of the Budget projections.

Until the study on cash limits is complete, further work on the main monetary and fiscal features of the Budget cannot be finished, and apparently no major decisions have yet been taken by Mr. Denis Healey, the Chancellor.

He will, anyway be in the U.S. for most of this week in his role as chairman of the interim committee of finance ministers of the International Monetary Fund, which is meeting in Washington on Wednesday.

● The clearing banks are expected to announce early this week cuts of between half a point and one point in their base lending rates from the present 13½ per cent, following last week's one-point cut in Minimum Lending Rate to 13 per cent.

Britain 'holds key to EMS'

BY JONATHAN CARR IN BONN

BRITAIN IS now seen by authoritative sources in Bonn as holding the key to formal introduction of the European Monetary System, delayed since January by a dispute over agricultural financing.

Agreement by Britain to a small rise in Common Market farm prices would, it is felt, create enough room for negotiating manoeuvre to allow the main obstacle to the system to be removed.

The rise would permit West Germany to make a start on reducing its Monetary Compensatory Amounts in EEC farm trade without cutting the incomes of its farmers.

This would both satisfy the French, who have demanded action on MCAs as the price for the start to the monetary system, and be acceptable to Herr Josef Ertl, the Bonn Minister.

However, there remain strong doubts whether Britain will be ready to agree to a rise, either at today's farm ministers' meeting in Brussels or at next week's European Council session in Paris.

The British, together with the European Commission, demand a price freeze as part of a drive to solve the problem of farm produce surpluses.

The sources insist that the farm issue is the only one delaying the monetary system, not second thoughts about the whole project, either in Bonn or in Paris, as some recent reports have suggested.

The central banks of both countries, as well as those of the other EMS members, have agreed to put the system into effect very shortly after accord on the farm issue has been reached.

This attitude is said to have been confirmed at the recent meeting in Paris between Chancellor Helmut Schmidt and President Valery Giscard d'Estaing. However, it is clear that the meeting did not bring a solution to the farm problem which would have allowed British opposition on a price increase to be skirted.

Farmers need 15 per cent rise, Back Page

Callaghan prepares tactics for survival

By Philip Rawstorne

MR. JAMES CALLAGHAN will open discussions with the Cabinet and Labour MPs this week on the Government's tactics for salvaging authority from the ruins of its devolution policy.

Mr. Michael Foot and the Government's business managers will also begin informal talks on devolution with leaders of the minority parties

A decision on the Government's next move is unlikely before next week. Dr. David Owen, Foreign Secretary, said yesterday that the Cabinet would not be rushed into action.

Conflicting pressures on the Government built up rapidly over the weekend, however.

Leaders of the Labour Party in Scotland urged the Prime Minister last night to go ahead with devolution for Scotland in spite of the narrow referendum majority.

But Mr. Callaghan will be pressed by other Labour Ministers and MPs this week to abandon further attempts to seek deals with the minority parties that would enable the Government to cling to office until autumn.

That would entail acceptance that the devolution scheme is dead and should be disposed of formally by a free vote in the Commons.

More and more Labour backbenchers are convinced that it would be counter-productive for the Government to seek to extend its life by negotiating another deal with the Ulster Unionists.

Mr. Eric Heffer, a leading Left-winger and former Industry Minister, reflected a widely held view yesterday when he said that the Government should challenge the Opposition parties to unite against it.

Mr. Gordon Wilson, Scottish National Party MP for Dundee, East, said that Ministers would be given 14 days to put the Governemnt's full weight behind the proposals in the Commons.

Liberals, in spite of by-election disasters last week, reaffirmed their intentions to force an early general election.

Mrs. Margaret Thatcher, Leader of the Opposition, who declared at the weekend that it would be "the final insult" if the Government tried to implement its devolution plan, is poised to force a confidence vote in the Commons as soon as possible.

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Iran pledge on foreign investments

BY ANDREW WHITLEY & ANTHONY McDERMOTT IN TEHRAN

IRAN HAS announced that it will stand by and meet all its foreign commitments, and foreign business concerns have been told their investments are safe and more will be welcome.

This first authoritative statement of economic policy by the new Government was made in Tehran by Dr. Mohammed Ali Mowlavi, the recently-appointed governor of Bank Markazi Iran, the central bank.

The governor's lengthy address was clearly aimed at reassuring the West that economic stability was returning and that the troubled banking system would be rescued and strengthened. He also denied there were any immediate plans for nationalising foreign and local banks.

Oil exports, meanwhile are to resume today after a shutdown lasting over two months, costing Iran $8bn (nearly £4bn) according to official estimates.

Mr. Amir Entezam, the Government representative, said at his regular Press briefing that exports would be pushed up to 6m barrels a day initially, to demonstrate Iran's capacity to a sceptical outside world, before dropping back to a new, conservation-oriented level.

While countries, banks and companies in the West will find the economic policy statement encouraging, it needs considerable qualification.

First, the Government of Dr. Mehdi Bazargan, its policies and appointments remain open to doubt until it has full authority in the country.

Mr. Abol Hassan Bani-Sadr, a radical economist designated as Ayatollah Khomeini's economic adviser, has earlier called for the revocation of "unnecessary" foreign commitments.

Second, reassurances towards the West will not please Left-wing groups.

Thirdly, Dr. Mowlavi announced he had set up a committee to study the question of banking according to Islamic law, under which interest in the traditional sense is abolished. Khomeini has specifically called for this.

On the controversial question of the large number of representative offices of foreign banks in Tehran, Dr. Mowlavi said they were free to continue, but would be subject to closer supervision.

Surrounded by the hardline strike committee which has effectively run the central bank recently, the governor, a former ambassador to the EEC, said: "No Third World country can exist without foreign investments."

He criticised, but did not name, "certain well-known foreign banks closely associated with Iran in the past" for causing problems for the country's banking system during the unrest.

The long-standing link between the rial and the U.S. dollar is likely to be cut formally in the near future. The central bank governor said the Iranian currency should be floated against the dollar. Judging by the present free market rate, this would mean an effective 30 per cent devaluation from last summer

A new breed of political prisoner, Page 2

Oil shipments to U.S. will resume this week

BY DAVID LASCELLES IN NEW YORK

THE FIRST consignment of Iranian oil ordered under the new Government's pricing arrangement is expected to be shipped to the U.S. this week, the first import since late December.

The buyer is Ashland Oil, the large independent company which was reported last week—along with several other U.S. oil companies — to have been approached by the National Iranian Oil Company.

Ashland said its tanker will be loaded during this week, but it would not disclose how much oil it was buying, nor what the price was.

It said: "While prices are somewhat higher than official OPEC prices, these prices are considerably below the spot prices many of the major oil companies are now paying to obtain crude supplies." The purchase was described as part of a long-term contract Ashland had with the Iranian company.

The sale is thought to be Iran's first to the U.S. since it announced it would no longer sell oil through the foreign consortium that marketed Iranian oil under the Shah. Ashland is not a member of that consortium.

The U.S. has lost about 5 per cent of its supply as a result of the Iranian shutdown.

China promises an 'early' withdrawal from Vietnam

BY RICHARD NATIONS IN BANGKOK

CHINA WILL withdraw its forces from Vietnam "shortly" the Chinese Chairman Mr. Hua Kuofeng told the British Minister of Industry Mr. Eric Varley in Peking yesterday.

The Chairman's remarks came the day after the New China News Agency proclaimed victory in Lang Xon—a critical battle arena in North-eastern Vietnam—and unconfirmed reports circulated among Peking's diplomats that Chinese forces had initiated a unilateral ceasefire and begun a withdrawal towards their own borders.

After a 90 minute meeting with the Chinese Chairman Mr. Varley told reporters that Mr. Hua had emphasised that the Chinese "don't want an inch of Vietnamese territory, that it is a very limited action they have taken, that withdrawal will take place shortly."

Diplomatic sources here say that since Saturday the Chinese control the key terrain in the mountains surrounding the rail and road junction between the Chinese border and Hanoi, 85 miles south-east and for the moment this appears a clear Chinese victory.

But there are no "convincing signs" that the Chinese are withdrawing. On the contrary fighting is continuing south of along the ridgelines which dominate the main road which winds through the mountains for another 18 miles before levelling out into the plains of the Red River delta cradling the Vietnam's stratetic Hanoi-Haiphong sector.

Although Chinese troops are trying to clear out Vietnamese artillery positions three to four miles south of Lang Xon, it is unclear whether there is any intention to advance large infantry columns further down the road.

Diplomats here, however, believe that the victory at Lang Xon—a battle into which Hanoi threw one of its best mainforce divisions—the 308th—may well shake the Chinese appetite to punish its recalcitrant southern neighbour after 16 days of border fighting.

Radio Hanoi yesterday poured scorn on Peking's claims "about an imminent withdrawal" and said that on the contrary six reinforced divisions had been sent into the battle area near Lang Xon.

Meanwhile the unnatural calm along Thailand's eastern border since the Vietnamese conquest of neighbouring Cambodia in early January was shattered as fighting spilt across the frontier. A Thai military spokesman said that the battle was between Cambodian forces loyal to the ousted premier Pol Pot and the Hanoi-backed government of Heng Samrin.

Irish post strike resumes

By Stewart Dalby in Dublin

IRELAND IS facing a week of bad communications disruption, as the 13,000 members of the Post Office Workers' Union resume their strike for a pay increase.

This means that from today no mail at all will be dilevered, and most operator-manned telephones and telexes will shut down. Direct dialling, both on phones and telexes, will be possible, but the experience of the past fortnight has shown that pressure on telephones, because of the increased direct dialling, has meant long delays.

A week-long strike was supposed to have ended on Monday a week ago, but during the past eight days postmen, especially in Dublin have been on a wildcat strike, and little mail has been delivered in the capital area. The new official strike, due to start today, is an indefinite one.

Western plan for Namibia rebuffed

By Quentin Peel in Johannesburg

PROSPECTS FOR acceptance of the UN ceasefire in Namibia (South West Africa) by today's deadline seem to have evaporated this weekend in spite of a mission by three Western Ambassadors to persuade the internal parties in the territory to give the plan their blessing.

Both South Africa and the South West Africa People's Organisation (SWAPO) have objections to the outstanding UN proposals. It also looks certain that the major pro-South African party in Namibia, the Democratic Turnhalle Alliance, will today set out its own reservations mirroring the South African Government position.

As if to provide himself with further ammunition for a rejection, or at least highly qualified acceptance, Mr. Pik Botha, the South African Foreign Minister, announced last night that there had been "an act of sabotage" on the railway line eight miles south of Windhoek. An explosion had damaged the track. Mr. Botha said the act "confirms once more that SWAPO has no interest in the peaceful settlement."

The British, U.S. and West German Ambassadors to South Africa flew to Windhoek on Saturday when it appeared that the internal parties, including the DTA and the middle-of-the-road Namibia National Front, were still perturbed about the UN plan. The major objections they have are the lack of provision for effective monitoring of SWAPO guerrilla bases in neighbouring countries, and the suggestion that SWAPO should be allowed designated bases inside Namibia.

The final decision on the ceasefire plan is up to the South African Government, but it is unlikely to go in the face of DTA objections.

Fears of upsurge of inflation in Hong Kong

BY PHILIP BOWRING IN HONG KONG

THE HONG KONG money supply and credit continued to expand rapidly in January. Latest figures underlined the warnings given last week in the budget by the Financial Secretary Mr. Philip Haddon-Cave of the consequences of such a growth. Loans of licensed banks rose 4.3 per cent over the previous month to HK$55.08bn, up 45 per cent on the 12 previous months. Money supply rose 5.5 per cent in the month and M2 by 3.7 per cent to HK$76.1bn—some 26 per cent above year ago levels.

Part of the rate of increase was attributed to the Chinese New Year which fell at the end of January.

There is growing criticism of the Government for allowing its own spending to accelerate—it is estimated that it will rise by 37 per cent in the fiscal year ending March, way above budget expectations.

The increase is partly attributed to the desire of the Governor, Sir Murray Maclehose to achieve planned targets in housing and public works construction notwithstanding overall economic conditions.

The financial sector is now waiting to see how ruthlessly the Financial Secretary uses new powers he is taking to influence liquidity. Meanwhile the ratio of loans to deposits has reached a level close to that seen in the final days of the 1973 boom. Reuter

Boycott threat over rise in refined product prices

BY KATHLEEN BISHTAWI

DR. Mana Said Al Oteiba, President of OPEC, and Oil Minister of the United Arab Emirates has raised the prospect of blacklisting oil companies who have taken advantage of the shortage of Iranian crude and sold refined oil products at inflated prices to Arab producers.

He will suggest boycotting such companies at the consultative OPEC meeting planned in Geneva on March 26. Asked what action he hoped would be taken against companies who found themselves on such a blacklist, he replied "We won't sell them oil."

Dr. Oteiba was speaking to journalists on the opening day of the first Arab energy conference which began here yesterday. In his welcoming address, he bitterly criticised the suppliers of refined oil products who had put up their prices by 80 per cent since the shortages appeared owing to the situation in Iran.

Dr. Oteiba also proposed linking continued oil supplies with a pro-Palestinian solution to the Arab-Israeli conflict.

His warning to the Western oil companies was echoed by Sheikh Ali Khalifa al Sabah, the Kuwaiti Oil Minister and president of the OPEC organisation. "I hope the companies will take the warning and be more moderate in their profits," he told journalists.

Mr. Izzidine Mabrouk, the Libyan Oil Minister, revealed that Libya had applied a further increase in oil prices retroactive from February 20. Earlier this month, the Libyans increased their crude prices by 68 cents, but the new increase would increase the January list price by $1.20 over the increases applied by OPEC after the last meeting in December.

Iran's new breed of political prisoner

By Andrew Whitley and Anthony McDermott in Tehran

Since dawn some 300 people had been crowding outside Qasr, Tehran's largest jail, waiting in vain to visit or even contact arrested relatives who are mainly senior civil servants and army officers.

They told a story of arbitary arrests, administrative buck-passing and lack of any responsible judicial control, which is being repeated across the country. The revolution has not unleashed a reign of terror, but reliable sources estimate that in Tehran alone about 2,000 people have been arrested in the past three weeks, of whom at least 45 are unaccounted for.

Arrests are still continuing, at the rate of about 100 a day according to the prisoners' relatives. Most are subject to a cursory preliminary investigation in a Mosque by mullahs, Moslem clergymen, before transported to jails such as Qasr.

At the jail a loudspeaker announced the names of a few prisoners released the night before. Revolutionary militiamen, in a variety of uniforms, kept clear an open space in front of the main gates, occasionally firing into the air to back up their efforts. Two British-built Ferret scout cars flanked the entrance.

For the anxious relatives, the main problem was lack of information. "I don't know if my husband is alive or dead said the wife of an Army General arrested at his garrison in Tehran shortly after the uprising.

Few visits, if any, had been allowed, and none since last Wednesday. Most of those we spoke to had no idea why their relatives had been arrested and what their fate was going to be. No-one in the Khomeini Central Committee — the nerve centre of contemporary Iran—could help. A long queue was forming outside Qasr of those wanting to hand in bags of fruit, notes or a clean shirt. The atmosphere was one of bitterness mingled with helpless despair. "They are destroying the elite" commented one young man, probably accurately.

As rival groups among the militia compete with each other for power, and even territory during the night-time exchanges of fire, it is indicative of the chaos that more than 800 of the capital's 2,000 detainees appeared to have been picked up by local committees, usually controlled by mullahs, without any reference to the law. Cases of personal revenge are not unknown. On one occasion, Massoud Rajavi, the leader of the radical Islamic Mujaheddin Guerrillas, was picked up unbeknown to his captors, and held for two days.

Future trials are expected to be held before Islamic courts as opposed to the existing French-based system of justice. A "revolutionary prosecutor - general," Mr. Mehdi Hadavi, was named yesterday for the capital. Members of the Bar Association, dominated by anti-Shah dissidents, are still resisting the changeover.

Saudi visit raises hopes that Bhutto may escape hanging

BY CHRIS SHERWELL IN ISLAMABAD

IN A DRAMATIC development which is almost certainly related to the fate of Pakistan's condemned former prime minister Mr. Bhutto, two Government ministers and a senior Army general have paid a swift and secret visit to Saudi Arabia.

At the same time one of Mr. Bhutto's principal lawyers was due last Sunday night to see General Zia-ul Haq, the country's military ruler. It is thought that the meeting was a prelude to serious negotiations which could ultimately rescue Mr. Bhutto from the scaffold.

The Saudi visit was officially to discuss maters of technical and economic co-operation. Although the team did not apparently see King Khaled, the feeling in Islambad is that the visit was almost certainly related to Mr. Bhutto's fate. King Khaled recently appealed to General Zia to commute the death sentence.

The lawyer involved in the talks with General Zia, Mr. Abdul Hafeez Pirzada, is understood to have held talks with senior Army officials in recent days. Senior members of Mr. Bhutto's Pakistan People's Party have also let it be known that there have been moves to try and save the former Prime Minister's life. Mr. Pirzada is an old associate of Mr. Bhutto's, and a former Cabinet minister under Mr. Bhutto.

The developments come only a couple of days after General Zia announced that he would abide by whatever decision the Supreme Court finally came to on Mr. Bhutto's fate. His declaration was viewed as effectively ruling out clemency. Even in the face of the flood of international appeals.

General Zia also contradicted a recent assertion that he would consult his Cabinet and military council when the decision finally came before him.

The two Cabinet ministers who visited Saudi Arabia were Mr. Agha Shahi, the adviser on foreign affairs, and Mr. Bhulam Ishaque Khan, the Finance Minister. They are regarded as the two most senior members of the Cabinet. The Army general, Maj. Gen. K. M. Arif, is General Zia's Chief of Staff and an influential figure in his secretariat.

The Supreme Court is due to finish hearing the lengthy arguments of Mr. Bhutto's senior defence counsel for a review of the death sentence today. The most telling point to have been made so far is for a reduction of sentence, on the grounds that the court is split, that Mr. Bhutto did not actually do the murder of which he is accused, and that the victim was not the object of the alleged conspiracy.

Afghan Muslim leader seeks refuge in Pakistan

IN WHAT could prove to be an embarrassing move for Pakistan's military government, a well known Afghan Muslim leader sought by the Socialist regime in Kabul has crossed the frontier and set himself up in exile in Peshawar. He has repeated his call for Jihad or Holy War against Mr. Nur Mohamed Taraki's rule, which he says has led to the execution and imprisonment of thousands of religious leaders in recent months.

The man is Miagul Jan Agha, a small, wizened and bespectacled man of 72 who has just spent 33 days trekking across mountains and hills from his village north of Kabul. The village, Tagab, in Parwan province, was raided by Afghan Army soldiers who came to arrest him on January 26. When they were beaten off by the villagers, jets and helicopters bombed the area, destroying his and neighbouring houses.

At the time Miagul Jan was reported to have disappeared. It now transpires that he escaped into exile with 70 to 80 members of his family and hundreds of followers.

His presence in Pakistan could be an embarrassment for Pakistan's military government. It already faces problems looking after tens of thousands of refugees who have left Afghanistan since the bloody coup of last April which brought the Taraki regime to power. Miagul Jan warns that thousands more of his followers will join him in Pakistan as a result of his departure.

The Pakistan Government, which is said to have been informed of Miagul Jan's arrival in the country, has sought to maintain relations with Kabul on an even keel in the months since the coup.

Union setback in fight over recognition

By John Wyles in New York

THE NEWPORT News Shipbuilding and Drydock Company, a unit of Teneco Inc, appears to have won an important round in its battle to fend off recognition of the United Steel Workers of America.

A U.S. Court of Appeals in Richmond, Virginia, has found fault with the National Labour Relations Board's decision to certify the union as bargaining agent for more than 13,000 workers at the shipyard. More than 5,000 have been on strike since the end of January following the company's refusal to bargain with the union on the grounds that it could not do so while challenging the NLRB decision.

The company claimed that there were a number of irregularities in a representation election held a year ago in which the steelworkers defeated a local association which had represented the company's workers for 40 years.

The court of appeal has ordered the NLRB to hold a hearing into one possible irregularity and has said that if the company's case is sustained the election should be set aside.

This would be a grievous blow for the union which has already shown itself unable to achieve full solidarity for its strike. Moreover, its efforts at Newport News are seen as an important test of union efforts to organise in the south where their representation is extremely weak.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription rate $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing centres.

WORLD TRADE NEWS

U.S. 'may play key role' in financing China's imports

BY COLINA MacDOUGALL

U.S. INSTITUTIONS such as insurance companies may play a key role in financing China's imports from the West, according to a Bank of America report. While the Chinese will borrow the bulk of their requirements through Government agencies like Britain's Export Credit Guarantee Department in order to obtain subsidised rates of interest, these agencies require a down payment of 10-20 per cent, which the Chinese may also have to borrow.

The main world source of fixed rate, long-term dollar loans, which the Chinese want, are the American institutional lenders. There is only a small amount of fixed rate, medium-term Eurodollars and these are usually limited to five-year maturities.

The Chinese apparently are insisting on dollar denominated loans because of the projected weakness of the dollar and the expectation that their future oil export revenues will be in the same currency. They prefer fixed rate financing because of the risks in floating rates, particularly dangerous to them because of their inexperience.

American institutional lenders can make funding commitments of 10 years or more at fixed rates below even the prevailing base U.S. prime lending rate. Since these institutions are restricted from lending directly to foreign borrowers. American commercial banks would have to act as intermediaries.

The Chinese are likely to want to borrow the full cost of an enterprise to save them taking the 10 -20 per cent down payment out of their current foreign exchange reserves, which are already under pressure.

With $10bn worth of start-up projects planned for 1979-80, the 10-20 per cent down payments could cost $1bn-$2bn, more than the total of some estimates of Chinese hard currency reserves.

The report also points out that suppliers should be prepared to discuss syndicating major buyer credits to a number of banks. Although China is new to the syndication market, the Bank of China has admitted quietly its willingness to meet the market documentation criteria to facilitate syndicating the larger credits.

German steel orders pick up

By Adrian Dicks in Bonn

THE WEST German steel industry won a small increase in new orders last month, with the total rising 50,000 tonnes to 1.8m tonnes. Within this figures, domestic orders were up by 112,000 tonnes and those from other members of the EEC by 50,000 tonns. New orders from third countries, however, dropped by 118,000 tonnes.

Deliveries during January picked up from 1.2m tonnes to 1.4m tonnes, reflecting the end of the steel dispute, during which a substantial portion of the industry could meet orders only from stocks.

JCB plans joint India project

By Hazel Duffy in London and K. K. Sharma in New Delhi

J. C. Bamford Excavators will announce shortly that it is setting up a joint venture in India to operate its first manufacturing outlet outside the UK. Its partner in the venture is an Indian company called Escorts, which will have a 60 per cent stake in the new company to be known as Escorts JCB. The British company will be investing £250,000 in the project initially.

The JCB excavator loader for the Indian market will be similar to that made in the UK, and will be assembled in a new factory at Faridabad (25 miles outside Delhi), to be built for the purpose.

The factory is scheduled to go into production next year, producing 80 machines in the first year of operation. This will build up to 245 machines a year when the project is completed in 5 years time.

About a third of the components will be supplied from J. C. Bamford's plant in Rocester, Staffordshire. The mainframe for the excavator loader, which is universally known as the "JCB," will be made in India, as will the gearbox, which is a model produced by Hindustan Motors. The engine will be a Perkins P6, while the rear axles are to be made by Escorts.

J. C. Bamford's reasons for setting up a joint venture in India stem from the 50 per cent import duty which is payable on such equipment imported into India, while it is also sometimes difficult to obtain import licences. At the same time, the company sees India as an increasingly attractive market for its machines, which are at the small to medium end of the range of construction equipment.

—Escorts is a public company, which was founded by the Nanda family, and now makes a range of engineering products.

Racal move

By Max Wilkinson

RACAL ELECTRONICS has formed a new company, Racal Recorders, to sell the group's communications and instrumentation recorders in the U.S.

The company will start trading from April, when Racal Thermionic of Southampton will change its name to Racal Recorders. Sales of the two companies in the financial year to March 1980 are expected to total £8m, of which £1m will be contributed from the U.S.

S. Africa seeks buyer credits to finance SASOL expansion

BY QUENTIN PEEL IN JOHANNESBURG

THE South African coal, oil and gas corporation (SASOL) aims to finance about 20 per cent of the R3.3bn (£1.9bn) expansion of its SASOL 2 oil-from-coal plant through export credits, Mr. J. A. Stegmann, the managing director, said here.

This would provide some R655m of the estimated R1.3bn import content of the project, with SASOL hoping to place more than 60 per cent of the value of contracts with South African-based companies.

So far only the Fluor Corporation, the U.S. engineering and management services company, has confirmed its involvement in the expansion project. The other two major foreign companies involved in the original SASOL 2—Deutsche Babcock and France's Air Liquide—have made no comment.

South African officials are still being cautious on the prospect of gaining substantial export credit (buyer credits) bearing in mind the refusal by the U.S. Export-Import Bank in 1976 to give Fluor a loan guarantee for its part of the original SASOL 2.

Export credits are one of four major avenues of finance for the expansion project, the others being State equity participation, finance from the State oil fund, and, for the first time, equity participation by the private sector.

It is hoped that some of the oil majors operating in South Africa will take a stake in SASOL, with a view to perhaps pooling oil-from-coal technology. They point out that several companies, including Shell, BP and Total (Compagnie Francaise des Petroles), have acquired considerable coal interests in South Africa.

Another company which could be attracted by a stake is AECI, the chemical combine (in which Britain's ICI and South Africa's De Beers have equal shares) already involved in downstream processing of by-products at SASOL's original Sasolburg plant.

But the political sensitivity of the project — designed to reduce South Africa's vulnerability to oil sanctions — could prove a deterrent.

Mr. Stegmann said the extension, to be built just one kilometre from SASOL 2, would produce petrol, diesel, LPG, kerosene and aviation fuel "in quantities which will as far as possible take into consideration the relative market demands."

He revealed that a plant to produce diesel and petrol from surplus supplies of creosote would also be included. Large quantities of ammonia and sulphur would be available to the fertiliser industry.

The Bosjespruit colliery, whose output is currently planned at 12m tons annually, would be expanded to produce more than 27m tons. Peak labour requirements on the project would be 25,000.

SHIPPING REPORT

Iran oil expectation boosts freight rates

BY LYNTON McLAIN

FREIGHT RATES rose on the oil tanker chartering market at the end of last week in the expectation that Iranian crude oil would again be made available.

The rates were steady early in the week, although at depressed levels compared with last year, as oil companies attempted to obtain oil from other sources.

The week started with almost no inquiries for very large (VLCC) and ultra large crude carriers (ULCC). Rates stayed at approximately Worldscale 20. By the end of the week ULCC vessels were tendering for business at Worldscale 28 and VLCCs at Worldscale 32.5 to 35.

The possibility of a resumption in crude oil exports from Iran was seen as a major event by London tanker brokers. Crude oil has not flowed out of Iran since December 26, and resumption of deliveries would aid a return to market stability.

The improved rates were tempered by the rise, of up to 50 per cent, in the price of bunker fuel charged to shipowners. Rates of over £50 per ton were charged last week for fuel loaded in the Gulf.

The instability in the Gulf markets was highlighted by British Petroleum's decision to withdraw from discussions about chartering a VLCC.

The rates in the dry cargo sector also moved up last week, in response to rising bunker fuel charges and to a rise in business with the end of the worst of the winter.

● The Greek-owned merchant fleet totalled 4,927 ships aggregating 50.21m gross tons at the end of last January, our Athens correspondent writes. According to the Ministry of Merchant Marine, 4,167 ships totalling 37.10m gross tons were under the Greek flag and 760 vessels aggregating 13.11m gross tons were under various foreign flags.

The Ministry said 241 ships totalling 3.09m gross tons hoisted the Greek flag in the year ending January 31, increasing total tonnage by 2.1 per cent.

World Economic Indicators

UNEMPLOYMENT

		Feb. '79	Jan. '79	Dec. '78	Feb. '78
UK	000's	1,362.6	1,339.2	1,320.7	1,409.0
	%	5.7	5.6	5.5	5.9
Holland	000's	211.1	211.5	210.5	202.7
	%	5.1	5.3	5.2	5.1
		Jan. '79	Dec. '78	Nov. '78	Jan. '78
W. Germany	000's	1,171.4	1,006.7	927.0	1,213.5
	%	5.1	4.4	4.1	5.4
France	000's	1,356.2	1,256.4	1,215.3	1,027.7
	%	5.9	5.5	5.3	4.7
Belgium	000's	303.1	300.9	297.1	299.5
	%	7.6	7.5	7.5	7.5
		Dec. '78	Nov. '78	Oct '78	Dec. '77
U.S.	000's	5,883.0	5,900.0	6,000.0	6,800.0
	%	5.7	5.8	6.0	6.9
		Nov. '78	Oct. '78	Sept. '78	Nov. '77
Japan	000's	1,160.0	1,177.0	1,250.0	1,030.0
	%	2.1	2.3	2.4	2.0
		Oct. '78	July '78	April '78	Oct. '77
Italy	000's	1,651.0	1,658.0	1,450.0	1,598.0
	%	7.5	7.5	7.2	8.0

Philippines applies for full GATT membership

By Brij Khindaria in Geneva

PHILIPPINES, one of the handful of developing countries which have not yet joined the General Agreement on Tariffs and Trade (GATT) is likely to become a member concurrently with the end of the Tokyo Round of trade negotiations.

Accession negotiations to determine the price that the Philippines Government should pay to enter GATT are currently underway here. The price to be paid is in terms of tariff and trade concessions given to other contracting parties to bring national rules in line with GATT rules.

The Philippines is currently conducting two separate sets of negotiations here, one with the GATT Secretariat on procedural matters, and the other with individual countries who have made specific demands asking for changes in the Philippines' trade regime to conform to their rights under GATT.

The Manilla Government acceded to GATT provisionally in 1973, at the start of the Tokyo Round, to familiarise itself with GATT, and to ensure that the results of the Tokyo Round would not pose additional problems for its full membership.

A provisional member gets the general benefit of most favoured-nation treatment from other GATT members while not itself having to post a schedule of tariffs bound by agreed GATT rates. But it has none of the rights accorded by GATT membership, the most important of which are the right to equal treatment, and the right to complain and seek redress through GATT's dispute settlement system.

The Philippines is unlikely to encounter problems in meeting the tariff requirements of the existing GATT accord, because as a developing country it can side-step certain requirements on the ground that its industries need protection to survive.

In addition, the Philippines also benefits from the Generalised Scheme of Preferences (GSP) of the EEC and the U.S. These schemes will be made part of the new GATT accord now being negotiated as part of the Tokyo Round's discussions on the new legal framework.

To obtain GATT membership the Philippines will have to show that its foreign trade regime operates in a manner consistent with GATT.

Davy signs accord with Argentines

By Roy Hodson

Davy Corporation is to carry out the initial planning studies for the development of a new flat-rolled steel products plant in Argentina.

An agreement has been signed with Siderurgica Integrada SA (SIDINSA), a new state-owned company which is being formed to manage the plant.

Davy said last night it was hoped the association would include the exchange of technical information, the raising of finance, and the supply of equipment.

Argentina's current national planning programme proposes raising steelmaking capacity from the current level of 2.5m tonnes a year to up to 10m tonnes a year by 1985.

Davy and British Steel are already managing the building of a £600m steelworks in the Venezuelan state of Zulia.

Davy is also leading an international consortium bidding for the construction of this project.

UK car trade outlined

FINANCIAL TIMES REPORTER

THE Department of Trade will continue to aid the UK motor industry in its export efforts and keep a watch on foreign regulations which hinder those exports, according to Mr. Michael Meacher, Under-Secretary of State for Trade.

His assurance, and the table below giving details of British trade in cars, were provided in response to a Commons question on the balance of trade in cars with Japan.

The approximate UK share of overseas car markets was given for 1977, he said, because these were the latest available figures.

UK TRADE IN CARS, 1978

	Units: No. of exports to	Units: No. of imports from	Approx. UK share of overseas markets in 1977
Russia	47	17 998	n.a.
Italy	8 959	102 036	½%
W. Germany	18 178	209 871	½%
US	56 193	2 332	¼%
France	15 304	149 723	¾%
Sweden	1 489	28 080	2%
Spain	294	26 744	less than 1-10%
S. Africa	45,520	117	19%
Czechoslovakia, Bulgaria, Hungary, Poland and E. Germany	383	15 167	n.a.
Yugoslavia and Romania	787	2	n.a.
S. America	4 130	18	n.a.
Belgium/Luxembourg	11 519	73 524	2½%
Algeria, Libya, Morocco and Egypt	5 428	14	n.a.
Africa (excluding North African states and South Africa)	14 395	25	n.a.
Japan	3 393	168 192	less than 1-10%

Source: UK overseas trade statistics

Company cash flows 'likely to be tight'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE FINANCIAL position of the company sector is likely to deteriorate further this year, leading to an acceleration in demand for bank loans, according to the UK financial survey from Barclays Bank.

The survey, published this morning by the bank's group economics department, warns that an acceleration in the demand for bank loans will not easily be accommodated, given the limits imposed by the official "corset" restrictions on the growth of the banks' operations.

Moreover, to the extent that the relatively high overall liquidity position masks markedly contrasting positions between companies, the ability of the banks to intermediate is constrained by the corset.

The financial position of companies is likely to be much more difficult in 1979, partly because of cyclical factors which will work against profits and cash flow and partly because the expected behaviour of prices and costs will exert further downward pressure on domestic margins.

Hence there is the prospect of a much greater financial deficit for the non-oil corporate sectors—perhaps double last year's total. It appears unlikely that long-term sources of funds will increase sufficiently to meet the extra demand for finance, and this will put pressure on bank borrowing.

This view reflects an increasing concern within the City. For instance, a new review from brokers Phillips and Drew projects a rise in industrial and commercial companies' demand for external finance from £1.8bn to £3.3bn between 1978 and 1979 with additional bank borrowing of £4bn, against £2.7bn.

On the budgetary front, the brokers forecast public sector borrowing of between £9½bn and £10bn in 1979-80 on present policies and assuming a 14 per cent rise in average earnings in the current pay round. The Budget is expected to reduce this to the £8½bn ceiling as a result of tightly drawn cash limits and a rise in both the employers' national insurance surcharge and indirect taxes.

Consequently, total output is expected to rise by only 1 to 1½ per cent during 1979 after a 3 per cent rise in the previous 12 months. The current account should be in surplus by between £500m and £1bn.

Phillips and Drew also analyse the impact of the larger than expected rise in crude oil prices. The brokers assume that an additional rise of 10 per cent in the oil price will reduce the growth of total output of industrial countries from a previously projected 3 per cent to 2¾ per cent this year and to raise overall inflation projections from 7½ to 8 per cent.

The UK will not be particularly badly hit with only an additional ½ per cent on the inflation rate and \$250m (£125m) on to the net import bill. In contrast this will add ¾ to 1 per cent on to the Japanese inflation rate an \$3bn on to its net imports. U.S. inflation will be increased by ½ per cent and net imports by \$4bn.

In their new gilt-edged review, brokers Joseph Sebag and Co. say their "best bet is that Mr. Healey will do as little as possible, but claim that he has done all that is necessary to keep public sector borrowing at £8½bn." But they warn that possibility of an extensive fudge—though over-optimistic wage and price and public spending shortfall assumptions — will require more than usually careful scrutiny.

The brokers suggest that as a result of huge sales of gilt-edged stock and negligible Government borrowing, the broadly defined money supply, sterling M3, may have declined in the month to mid-February.

Brokers de Zoete and Bevan suggest that early, possibly sharp, falls in short-term interest rates could be partly reversed later in the year as overseas interest rates rise further and UK monetary policy tightens once again. This would occur if, as currently expected, the growth in UK nominal incomes exceeds the targeted growth path for the money stock.

Brokers Panmure Gordon note that it is possbile to argue that monetary policy is currently too restrictive and risks repeating the overkill of 1974 when tight monetary policy was superimposed on a cyclical downturn, while fiscal policy ran out of control, produced peak inflation and a severe squeeze on the corporate sector. This time relief on stock appreciation will act as a cushion but the signs of cash flow and profitability stress are already apparent.

Three large finance houses seek official status as banks

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THREE OF the largest UK finance houses will be seeking the status of recognised banks under the provisions of the Banking Bill, though finance houses in general are not expected to qualify for banking status.

All three already have a form of banking status under the Companies Acts, and are subsidiaries of the clearing banks.

The finance houses concerned are Mercantile Credit, a subsidiary of Barclays Bank, Lombard North Central, a subsidiary of National Westminster, and Forward Trust, a subsidiary of Midland.

Mr. Stuart Errington, managing director of Mercantile Credit, says that direct approaches are being made to the Bank of England "at the highest level" to ensure that the finance house is categorised as a bank when the Bill becomes law within the next few months.

Mr. John Thomas, a director of Lombard North Central, says that similar initiatives have been taken by National Westminster.

He understood that Mr. Robert Leigh-Pemberton, the chairman and Mr. Jeffrey Benson, the chief executive, had taken the matter up personally with the Governor and chief cashier of the bank.

Officially, Midland Bank has not yet taken a view regarding what status to seek for Forward Trust, but a spokesman said it was likely it would be asking for the top tier.

While the leading finance houses are anxious not to fall into the second tier of fianancial institutions under the Bill without a fight, some accept in private that the prospects of obtaining bank status are not good.

Dr. Owen to address NEDC trade session

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE RELATION of British industry to international developments, particularly in trade negotiations and the challenge of the newly industrialised countries, will be the broad theme of the meeting next Wednesday of the National Economic Development Council.

The meeting will be attended by Dr. David Owen, the Foreign Secretary, who will be giving a paper outlining the importance that is attached to the interests of British industry by the Foreign Office's representation overseas.

Attendance by Dr. Owen at an NEDC meeting follows that of several other ministers in charge of non-economic departments, and is part of the Prime Minister's desire to broaden the range of interests represented by the industrial strategy.

Another paper, to be given by Mr. John Smith, the Trade Secretary, focuses on current international trade negotiations, of which the most important are the GATT talks, and their effects on industry.

Mr. Geoffrey Chandler, NEDO director-general, will be submitting a paper which stresses the need for industry to adapt rapidly to the changing situation presented by the success of some of the newly industrialised countries. It questions whether sufficient priority is being given under the industrial strategy to this challenge, and urges that industry should also be aware of the export opportunities for capital equipment in these countries.

Kwik Save takes £81,000 per employee

By Our Consumer Affairs Correspondent

THE TREND towards increasing concentration in the retail sector was illustrated yesterday in a new survey on the productivity and profitability of UK retailers.

The survey, by the Management Horizons company, found that the 20 largest retail companies had a combined turnover of some £10.5bn, representing about 28 per cent of total retail sales.

The 450-page report lists the companies achieving the highest return on assets and sales productivity.

In the food sector, for example, J. Sainsbury leads the productivity league as measured by sales per square foot, achieving £314 in the year ended last March. Waitrose also comes out well with £260 per ft. and Asda shows £235.

The ratio of sales per full-time employee is headed by Kwik Save, with £81,245, followed by Cartiers Superfoods with £52,942.

Carrefour, Asda, William Morrison and Safeway also did well in this category, achieving sales per employee of between £36,000 and £41,000.

Good year for sales of footwear

By James McDonald

FOR THE time being the British footwear industry should remain busy, says the British Footwear Manufacturers Federation in its latest quarterly review.

"How long this lasts depends on whether the very high level of retail spending on footwear last year can persist this year. The danger is that high retail sales have been resulting in ordering by distributors at a level that cannot be sustained if consumer spending turns down. Increasingly severe domestic and international problems make for uncertainties on this score."

A further problem, adds the review, is the world-wide scarcity of hides now showing itself in a sharp rise in leather prices, which may, as the rise works through, affect demand for leather footwear.

"Given the possibility of a downturn at home, manufacturers who are doing the ground work now for an increase in export sales may have cause to be grateful."

Official figures now available for the second half of last year show that manufacturers' deliveries were about 84m pairs, a little higher than in the same period of 1977. In value they rose by about 20 per cent, reflecting at least as much a move up-market as a general rise in costs. For 1978 as a whole, deliveries were about the same as in the preceding year.

Although overtime is far in excess of short-time, employment shows no sign of rising, says the federation, partly because labour with the right skills is not available and partly because the industry still lacks confidence in its long-term future.

Over £11m has been committed by the industry in connection with the Industry Act assistance scheme but little of this has been earmarked to expand physical capacity.

Retail trade was unusually good in the second half of 1978. "For the first time in many years footwear accounted for a significantly increased share of all spending, sales showing a rise of 22 per cent over the second half of 1977."

National pay structure pact for shipbuilding

BY OUR LABOUR STAFF

BRITISH SHIPBUILDERS last night secured union agreement for a national pay structure at the end of a two-day conference in Newcastle.

Minimum earnings established for the 80,000 men in the industry range from £62 a week for unskilled workers to £80 a week for skilled men.

Skilled men already earning £80 a week or more will get an additional sum believed to be an extra £5 a week.

Mr. Ian Farningham, managing director of industrial relations for British Shipbuilders, said afterwards that the unions and corporation had agreed on a document called *The Most Effective Use of esources*, which provides fo rthe setting up of joint monitoring committees in each yard to keep an eye on productivity and achieve financial targets.

"We have also given all yards the opportunity to agree self-financing productivity schemes by July this year."

Mr. John Chalmers, general secretary of the Boilermakers' Society, and chairman of the Shipbuilding Negotiating Committee of the Confederation of Shipbuilding and Engineering Unions, said: "Looking at the package, we are confident that shop stewards will understand this is a fair settlement."

In addition to establishment of minimum earnings, an undisclosed number of additional holidays had been agreed, and maximum overtime has been reduced from 30 hours in a four-week period to 20 hours.

"We think this will save jobs and help towards a shorter working-week."

Clerks are to be paid £62 a week; technical staff £80; supervisors £95; and managers a minimum of £5,750 a year.

Agreement has also been reached on a common starting date, January 1, for implementation of all pay awards within the industry. This will mean an end to individual negotiations by 168 yards of British Shipbuilders, staggered through the year.

Pay-offs scuttle rescue bid

THE MOVE by 700 workers to take three months' pay in lieu of notice at a doomed shipyard on the Tees has effectively wiped out moves to reprieve the yard.

British Shipbuilders said yesterday that, following its announcement on Thursday it would take volunteers for immediate pay-off from the 900 men employed at the Haverton Hill yard. By Saturday, 700 volunteers had come forward and 400 had taken their cheques for sums of around £1,000.

Laker staff sounded on joining TGWU

BY ALAN PIKE, LABOUR CORRESPONDENT

THE ADVISORY, Conciliation and Arbitration Service is advertising to ask cabin staff of Laker Airways whether they wish to be represented by the Transport and General Workers Union.

Employees of the airline are asked in an advertisement appearing in the current issue of Gatwick News, which circulates at the company's base airport, to complete a questionnaire and return it to ACAS. They are assured that replies will be treated in confidence and not made known to their employer.

ACAS officials decided on this unusual method of testing the strength of support for a TGWU request to be recognised on behalf of cabin staff because they could not obtain Laker Airways' co-operation in sending out the questionnaires.

Under the Employment Protection Act, ACAS has to examine the opinions of staff before deciding whether to recommend recognition for a union. It normally relies on the assistance of employers in providing access to staff or names and addresses.

Other methods, such as advertisements or public meetings, have been tried when co-operation has not been forthcoming. In two instances—Grunwick and Michelin—ACAS has been forced to abandon recognition inquiries because it has been unable to test the opinions of staff.

Mr. Mick Martin, a national secretary of the TGWU, said yesterday: "Laker Airways has obstructed and opposed trade union recognition for its employees. The company refuses to co-operate with an ACAS ballot and the survey is having to be conducted in other ways."

Laker Airways said cabin staff had their own association which was thriving and recognised by the company.

Tories to consider some council change

BY PAUL TAYLOR

A CONSERVATIVE Government would review the need for limited local government reorganisation, Mr. Michael Heseltine, Opposition environment spokesman, said at the weekend.

He told the Conservative local government conference in London that talks have been in progress to reconcile the county and district local government associations over plans to tradsfer power from the counties to the larger non-Metropolitan district councils.

Big reorganisation would be expensive and divisive and unlikely to produce benefits for the ratepayer. A Conservative Government would seek to make the existing machinery work more effectively.

A working party from the three local authority associations will examine the workings of the Local Government Act, 1973, and prepare proposals on the transference of powers for planning, highways and transport from the counties to the district councils.

Mr. Heseltine said that the party might consider changes in planning, highways and transport.

Local government reorganisation proved the main area of disagreement. The Conservatives' proposal to give a blanket right to all council tenants to buy their homes was also criticised.

Mr. Hugh Rossi, Opposition spokesman on housing, said the Conservatives would want to give local authorities the right to transfer surpluses from housing accounts to the general rate fund.

Mr. Norman Fowler, Oppositon transport spokesman, said on concessionary bus fares that a Conservative administration would want to leave to individual local authorities the choice on whether to give elderly people concessionary passes.

● Local authorities should build close links with Conservative candidates for the European direct elections, Mr. Douglas Hurd, Opposition spokesman on foreign affairs and chairman of the Conservatives' European Election Campaign Committee, said.

Councils must brief their Conservative candidates for Europe on local needs.

Mr. Hurd said that an exchange of views between local authorities and the European candidates would be "to the advantage of both sides."

Regulations on work accidents

By Paul Taylor

EMPLOYERS will be required to notify workplace accidents, dangerous incidents and ill-health under regulations proposed by the Health and Safety Commission, expected to be published in about a week.

Mr. Bill Simpson, chairman of the commission, told industrial safety officers at Malvern on Saturday that the new regulations were required to provide the Health and Safety Executive with better and full information so accidents could be prevented.

The commission has announced its intention to publish draft regulations on other matters, such as notification of toxic properties of "new" chemicals and of hazardous installations.

This would provide the executive, the commission's operational arm, with a true picture of the problem, said Mr. Simpson.

It would enable it to allocate resources according to priorities. He stressed the importance of a two-way information flow to prevent accidents and health risks.

The main impact of the proposed notification regulations would be on employers in areas not previously covered by health and safety legislation, for example local authorities of their activities.

On proposed regulations on hazardous installations, Mr. Simpson said he did not think they would make serious problems for industry.

Reads to build £10m Runcorn car factory

BY PAUL TAYLOR

READS, a subsidiary of American Can, is to build its £10m factory at Runcorn, Cheshire. The scheme will qualify for £2.25m in Government regional grants.

The company, second largest manufacturer of metal containers in the UK, will announce the siting of the 116,000 sq ft plant today. It plans to increase can production capacity by 25 per cent.

Work on the factory, providing 100 jobs, is due to start next month. The plant should be in full production by mid-1980.

Design work is nearing completion. The manufacturing and auxiliary equipment is on order. The company has still to decide whether to use tinplate or aluminium.

The factory is Reads' first investment in the increasingly popular two-piece can for drinks, and is the first stage of a phased development plan. Initial production is likely to be about 250m cans of 12-oz size a year.

● A £5m engine component factory providing at least 150 jobs in the North-East is planned by Rolls-Royce.

● Rowntree Mackintosh will spend some £8m on new plant at a sweet factory at Dijon, eastern France, for Quality Street chocolates. It will create 300 jobs and is due to start by the end of 1980.

New anti-submarine radar handed over for RAF

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MARCONI AVIONICS, a member of the GEC-Marconi Electronics group, said yesterday that contracts for its Rochester Maritime Aircraft Systems Division now total over £100m.

These include the AQS-901 airborne anti-submarine defence system, the first production model of which was handed over to the Defence Ministry yesterday. It will be used in the RAF's Nimrod anti-submarine and Australian Orion maritime patrol aircraft.

Developments will be made in light-weight acoustic processing and display systems for helicopters and the company will produce micro-processor-based systems for the Navy's Sea King helicopters, and design systems for the new Westland WG-34 long-range helicopter.

● British Airways is to provide management assistance to Guyana Airways, the country's flag airline. The deal was initially funded by the UK Ministry of Overseas Development, but its value is not disclosed.

British Airways has sent three advisers to Guyana to help reshape the national airline, which operates a limited network with small aircraft.

● The Civil Aviation Authority has awarded contracts worth nearly £1.2m for improving Inverness and Sumburgh airports in Scotland.

At Inverness, A. Tulloch and Son won a £413,064 contract to extend the terminal building, while at Sumburgh, a £750,000 contract has been awarded to G. Percy Trentham for improving the control tower, which will use new radar equipment.

Shell sanction breaches attacked by shareholders

BY SUE CAMERON

A GROUP of Shell Transport and Trading shareholders are planning to put a resolution to the annual meeting condemning the part played by the company in breaking oil sanctions against Rhodesia.

The resolution, drawn up by a shareholders' working party, also calls for assurances from the directors that "neither the company nor any subsidiary or associate company will participate directly or indirectly in the supply of oil or oil products to Rhodesia" as long as United Nations sanctions last.

The working party, composed of representatives of various Christian bodies that have shares in Shell, said yesterday that the resolution was the only way of giving shareholders a proper opportunity to express dissatisfaction with their company's involvement in breaking oil sanctions.

It added that the company, its directors and its shareholders bore a "particular responsibility" for Britain's "national failure" to implement sanctions effectively and "ensure a peaceful transfer to majority rule in Rhodesia."

The resolution will be discussed at the annual meeting to be held on May 18 only if 100 shareholders sign proposal forms requiring it to be put on the business agenda.

Millom caravan plan denounced

THE MILLOM action group in Cumbria has written to the Earl of Inchcape, chairman of P & O, telling him of concern at development permission for the P & O subsidiary Twentieth Century Banking Corporation for 1,600 caravans and chalets on the site of the ironworks at Millom.

Since permission was given there have been many protests by local people, who say it will swamp the small town and destroy rare wild life.

Small companies warned about prices body

By Colleen Toomey

SMALL BUSINESSES should be concerned at the way the Price Commission is interpreting its role says Mr. Philip Bayliss, chairman of the Association of Independent Businesses national economic committee.

Mr. Bayliss, whose association represents 25,000 small concerns, advises them to watch the Commission's activities closely.

Echoing the Conservative Party warning that the commission's method of examination and investigation could easily lead to a "Star Chamber type of harassment because of the scope of its powers," he recalls that independent businesses thrived in the days when laws were fewer, clearer and well-publicised.

The commission mainly directs its attention to larger companies who are obliged to pre-notify price increases.

"Already, however, the affairs of independent companies are coming under the scrutiny from time to time, and findings relative to a particular company or trade are published in the greatest possible detail. This is a worrying development."

The costs involved are considerable at £7m a year.

Public workers' pay ballot results soon

BY ALAN PIKE, LABOUR CORRESPONDENT

ATTENTION will continue to focus on public sector pay this week with meetings involving miners, power workers, teachers, nurses, and public service employees.

The final voting by local authority, hospital ancillary and ambulance workers on their offer of 9 per cent and a comparability study yielding more money in August will be known this week.

Transport and General Workers' Union delegates in the local government and hospital sectors have accepted the offer and are recommending it to ambulancemen in a ballot.

It has also been accepted by local government members of the General and Municipal Workers Union.

Results of balloting by members of the National Union of Public Employees and the Confederation of Health Service Employees will be reported tomorrow and Wednesday.

Today nurses' union leaders will meet Mr. David Ennals, Social Services Secretary, to seek assurances on when any comparability awards for them will be paid.

Negotiations begin on Wednesday on the teachers' demand that the value of the 1974 Houghton award should be restored. This would mean rises of up to 36.5 per cent.

The teachers oppose suggestions that they should submit themselves to a new comparability exercise, arguing that this work was carried out by Houghton.

On Thursday the National Union of Mineworkers executive will meet to decide whether to hold a pithead ballot to ratify last week's £72.5m pay offer from the National Coal Board which the executive has already endorsed by 15 votes to 10.

On the same day, the Electricity Council will reply to a claim for substantial increases from 95,000 manual workers in the industry.

Mr. Jack Biggin, national industrial officer of the GMWU, said the power workers were not seeking a confrontation with the Government but had watched the miners' negotiations carefully.

'Back to work' order hits BL

A DISPUTE in BL Cars at Coventry may erupt today into a national row involving thousands of company employees. But first Coventry shop stewards will seek urgent talks with the local management to resolve the trouble.

It springs from a week-long strike by 300 machinists at the Triumph plant, who on Saturday were ready to accept a formula for return to work, with more talks on a grievance about labour manning levels and job-switching.

Transport union backs Labour

A CAMPAIGN has been launched to convince Transport and General Workers' Union members that they should begin work now to secure the return of a Labour government at the general election.

This month's issue of the union's journal, Record, urges members to make themselves available to local Labour parties immediately.

Full-time union officials have been told to concentrate on marginal constituencies during the run-up to the election and to draft in whatever support they can organise through branches, district committees and shop stewards' committees.

Acrylic breakthrough boosts UK textiles

BY RHYS DAVID, TEXTILES CORRESPONDENT

A MAJOR breakthrough in the production of acrylic yarn, will give the UK knitting industry a much cheaper source of supply in the battle against imports, is being claimed by Thos. Burnley, part of the Coats Paton group.

The system has been developed over two years at a cost of £2m, and there is considerable secrecy over the exact nature of the process. Details are known to only a few senior employees of the company and customers have been told that Thos. Burnley will make it as difficult as possible for information to be uncovered.

The reason for the secrecy is the prospect that if it can stay ahead of the competition, Burnley could win a substantial share of the UK market for high-bulk yarns for knitwear, much of which has been taken by imports.

The new yarn, called New-Tec, is being sold in producer-dyed form at 225p per kilo, compared with 285p per kilo for a conventional yarn. Imported yarn, which usually arrives undyed, is sold after dyeing in this country at around 235p per kilo.

The cost reduction for the yarn, which is being made from Monsanto's acrilan fibre, has been achieved largely by cutting labour costs involved by around 50 per cent. This in turn is thought to have been made possible by simplification and modification of the large number of processes through which acrylic tow—the raw material—must pass before it becomes yarn.

Burnley, based in Cleckheaton, West Yorkshire, is Britain's second-largest producer of worsted hosiery yarns, behind Courtaulds, which announced last month that because of depressed demand and import competition it would be closing its biggest unit, at Spennymoor, Co. Durham, with the loss of 1,600 jobs.

Thos Burnley claims that availability of the yarn could result in a big cutback not only in yarn imports but also in imports of imported acrylic sweaters—currently about one in three of all those sold in the U.K.

"British knitters now have a permanent, viable and revitalised home source of supply, and need no longer look at low-cost acrylic yarns from cheap labour countries," Mr. Colin Walshaw, sales and marketing director, said.

The company, which has a total yarn production of 170,000 kilos per week, is currently producing 25,000 kilos of New-Tec yarn per week and will build up to 45,000 kilos and then to 80,000 kilos by the end of this year.

Further increases in production are planned for next year and the company expects that eventually, most of its yarn output, including wool-acrylic and all-wool varieties, will be by the New-Tec method.

The yarn has been tested under commercial conditions for nine months and is also claimed to have superior strength and aesthetic characteristics to conventional yarns.

It is being introduced initially at the lower end of the market where import competition is strongest but eventually it will be used in higher-priced products as well.

● Tattersall's monthly trade review, which has chronicled the ups and downs of the Lancashire cotton textile industry for more than 80 years, has finally given up the struggle and will not appear again.

The review was once required reading for textile companies, but its subscription list had dwindled to 150.

For 75p, these subscribers received each month about 20 pages of information on textile imports and exports, bids and deals, and other events of the month together with a summary of important company results and cotton prices.

Mr. Arthur Tattersall, the third generation running the family business which produces the review, said that its demise was the result of the mergers and contraction within the industry. But an annual review would still appear as would Tattersall's fortnightly survey.

Don't try to hang on, Thatcher tells Labour

BY PAUL TAYLOR

THE REFERENDUM results have proved that there is no sound or honourable basis for a great constitutional change, Mrs. Thatcher, Conservative leader, said during the weekend.

She told the Conservative local government conference in London it would be "the final insult if a dying Government tried to bend our constitution to keep itself in power for a few more wretched weeks."

Clement Atlee would not have done it, neither would Hugh Gaitskell, and we would not do it.

While avoiding the claim that the referendum results were a victory for the Conservatives, Mrs. Thatcher launched a virulent attack on the way Labour had cynically tried to "whip up emotions which just weren't there" during the referendum campaign.

For two years the Government had laboured day and night to drive the Scotland and Wales Acts through Parliament. They insisted that their plans were a response to the clamour for assemblies in Scotland and Wales.

However, even with that argument the legislation would never have passed if the Cabinet had not been compelled to hold referendums, nor would it have survived if the 40 per cent rule had not been inserted.

The people of Wales voted overwhelmingly against the Assembly by a majority of 4-1 while in Scotland if the abstentions were counted as "No vote" as Labour had described them during the campaign, the only conclusion was that the Scottish people had rejected Labour's plans decisively.

Mrs. Thatcher did not mention the Parliamentary tactics she would be adopting in the wake of the referendum results but confirmed that the Shadow Cabinet will meet today to discuss the position.

Turning to the general election, she oulined the Conservative strategy, defended the monetary prescription for the economy and attacked the Labour Government's performance during the last five years.

She said Ministers had made no bones about the fact that the party's first election plank would be the concordat on industrial relations, "announced two weeks ago with so much ballyhoo and broken before the ink was dry on the paper."

The concordat had been concluded with the explicit intention of "saving Labour's bacon."

In return for the promise of more socialism, the union leaders undertook to do "something or other," but Mrs. Thatcher said that what this amounted to is "not too clear."

The truth was that the concordat did not begin to provide the sensible framework of law and industrial relations that this country needed and wanted.

This was no more and no less than "a lifeline for a sinking government."

The real job of ensuring and insisting on responsible trade-union behaviour would be left for the next Conservative Government.

Mrs. Thatcher called for a new reality concerning Britain's economic situation. In spite of Labour's attempts to denounce monetarism as "harsh and inhuman," it was the policies of Labour which in reality turned out to be harsh and inhuman.

Interest rates were already up and that, if Labour clung to office, taxes would soon rise and so would prices. "The Government's much-vaunted single-figure inflation looks as though it could be a nine-month wonder," she said.

Higher taxes and higher interest rates would lead to a new recession. British businesses, now producing less than they did in 1973, would produce still less as the recession bites.

Labour's economic policy had failed the tests of internal consistency, and comprehensiveness, and the Government had failed to explain its economic policies to the trade unions and to the public.

Chancellor told: Do not panic

By Ivor Owen

LEADING LEFT-WING members of Labour's national executive spoke out at the week-end against a "tough" Budget.

Mr. Frank Allaun, Labour MP for Salford, East, and party chairman, urged Mr. Denis Healey, Chancellor of the Exchequer, to disregard the advice he was receiving from Treasury officials, bankers and the City.

"There is no need to panic. Strong-arm measures now being demanded in the Budget are unnecessary," he told the Greater London Labour Party Conference.

Labour policy opposed higher taxes on ordinary families and cuts in public spending. "The only tax we want to be introduced is an annual wealth tax on fortunes of over £150,000."

He maintained that if harsh Budget measures were rejected, Labour might recover and win the coming general election.

Miss Joan Maynard, Labour MP for Sheffield, Brightside, and another member of the executive, spoke in similar vein when she addressed the Yorkshire Labour Party

The Chancellor, she said, should use next month's Budget to increase, not cut, public spending and improve the social wage and cut unemployment.

Shipbuilding nations will talk about changing credit system

BY LYNTON McLAIN

THE SHIPBUILDING nations of the developed world will meet in Paris this week to discuss possible changes to the credit arrangements which govern the industry.

The forum is the shipbuilding working group in the Arganisation for Economic Co-operation and Development. It will also debate plans to ease world over-capacity in shipping and shipbuilding.

The plan—scrapping two ships for every new one built—was put forward by the independent International Maritime Industries Forum in November.

The main debates will take place on Wednesday and Thursday and Spain is expected to announce its refusal to continue following the guidelines on shipbuilding credit agreed by OECD members in the 1960s.

The Spanish action, if approved, may lead to talks on revising the non-binding understanding between members. This stipulates a minimum interest rate of 8 per cent over over seven years, on up to 70 per cent of the value of a vessel.

Spain is understood to favour a 0.5 per cent cut in the minimum niterest rate, a rise of 10 per cent to 80 per cent of the value of the ship which can be covered by a loan and an extension of 1½ years in the repayment period.

Delegates of the working group on shipbuilding met in July and agreed to keep the existing credit arrangements, in spite of pressure from West Germany and Finland.

Britain has reserved its position on the credit issue and on the scrap and build proposals.

Department of Industry officials are expected to tell delegates that no decisions can be reached until the Government has completed its study of the corporate plan of the State-owned British Shipbuilders, which spells out options for restructuring the UK industry.

Nevertheless, Britain is unlikely to express much concern over Spain's withdrawal from the gentlemen's understanding on credit.

The Government, and other delegates, however, are likely to take the matter more seriously if Spain is backed by France and Belgium, which also want changes in the credit arrangements.

● Sealink has awarded the annual refitting contract for its latest passenger car ferry, the St. Columba, to Clydebank Engineering, an independent ship repair company.

Call for Sullom Voe to shut

By Our Own Correspondent

DEMANDS for the Sullom Voe oil terminal to be shut until it can be proved safe are increasing throughout Shetland as fears grow, particularly by environmental groups, that the islands may become permanently polluted with oil.

One of Shetland's most beautiful beaches, St. Ninians Ayre, a favourite attraction for tourists, is suffering from oil blight. Lumps of oil washed ashore are believed to be from tankers illegally jettisoning dirty ballast and cleaning tanks. Mr. Jo Grimond, Liberal MP for Orkney and Shetland, has asked the Government for a public inquiry.

At the New Year weekend 1,200 tonnes of heavy bunker oil poured from the tanks of the damaged tanker Esso Bernicia. She was only the 12th to arrive at the port since the £813m terminal opened in November, and had collided with a jetty when berthing.

The Department of Trade is to hold an inquiry. Shetland Islands Council, which manages the port, is making its own investigation.

Ezra urges energy-saving legislation

SIR DEREK EZRA, chairman of the National Coal Board, called for new legislation yesterday to encourage industrial and commercial companies to invest in energy saving equipment.

Sir Derek, speaking in Cambridge, said the law should be used to set standards and to provide incentives for capital investment in energy saving machinery.

He added that everything possible should be done to reduce UK oil consumption "immediately." He called for the vigorous pursuit of research into alternative forms of energy.

Sir Derek emphasised the need for research into the conversion of coal into liquid fuels and gases as well as research into geothermal, solar, wave, wind and tidal energy.

Britain was the "rich man of Europe" in energy, with oil, natural gas, coal and nuclear energy resources. Those provided an "unparalleled opportunity" to build and preserve a strong economy.

Women doctors campaign for career prospects

WOMEN DOCTORS who give up training to start a family should be eligible for career jobs when they re-enter the profession, the Medical Women's Federation says.

It is launching a campaign this week to improve prospects for doctors who after having children often find difficulty in rejoining the medical profession.

The federation suggests appointing more part-time consultants, and calls for more part-time postgraduate courses.

More than 85 per cent of women doctors, it says, have children. Most of those start families before they are able fully to establish their careers.

The federation quotes the case of a woman doctor in her 30s who obtained half her post-graduate specialist training as an anaesthetist before starting a family.

When she wanted to start work again she was unable to complete the training. She now works as a family planning doctor with no career prospects. Yet there is a national shortage of anaethetists.

Shotton steel fears revived

CAMPAIGNERS fighting to retain steelmaking at the British Steel Corporation's Shotton plant, Deeside, were surprised yesterday at the impending departure of Mr. John Powell, the plant's director. A leading advocate of Shotton's case, Mr. Powell has been appointed a director of the corporation's Associated Products Group in South Wales.

Mr. Eric Cotterill, a senior management official at BSC's Llanwern works, near Newport, takes over from him in June.

Ending steel production at Shotton, leaving only the finishing plant, processing steel from other works, would mean 6,000 redundancies out of a labour force of 11,000 in an area where unemployment is more than 10 per cent.

Sir Charles Villiers, BSC's chairman, has said that there will be no end to steelmaking at Shotton before 1982, but the Corporation's recent rejection of a £26m modernisation plant has revived fears.

The week in Parliament

TODAY

COMMONS: Housing debate. Motion on Hovercraft (Civil Liability) Order.

SELECT COMMITTEES: Overseas Development. Witness: Mrs. Judith Hart, Minister of State for Overseas Development. Room 6, 4.30 pm. **Public Accounts Committee.** Subject: Appropriation accounts. Witnesses: Department of Industry, Scottish Economic Planning Department, Welsh Office. Room 16, 4.45 pm.

TOMORROW

COMMONS: Independent Broadcasting Authority Bill, second reading. Opposed private business at 7 pm.

LORDS: Capital Gains Tax Bill, third reading. Social Security Bill, report stage. Public Lending Right Bill, third reading. Banking Bill, second reading. Kiribati Independence Bill, committee stage. Estate Agents Bill, committee stage.

SELECT COMMITTEES: **Science and Technology, Genetic Engineering Sub-Committee.** Witness: Mr. David Ennals, Social Services Secretary. Room 15, 4.30 pm.

WEDNESDAY

COMMONS: Leasehold Reform Bill, second reading. Motions on Appropriation (Northern Ireland) Order and Aircraft and Shipbuilding Industries (Northern Ireland) Order.

LORDS: Debate on need for revising current energy provisions programme and prices and incomes control in the light of recent events in Iran. Short debate on arrest of petitioners in Hong Kong.

SELECT COMMITTEES: Expenditure, Trade and Industry Sub-Committee. Subject: UK Domestic air fares. Witnesses: National Joint Council for Civil Air Transport Trade Union Side. Room 16, 10.15 am. **Nationalised Industries, Sub-Committee E.** Subject: Relationship of Ministers, Parliament and the nationalised industries. Witnesses: Association of Members of State Industry Boards. Room 8, 4 pm. **Science and Technology, Genetic Engineering Sub-Committee.** Witness: Mrs. Shirley Williams, Education Secretary. Room 15, 4.30 pm. **Public Accounts Committee.** Subject: Appropriation Accounts. Witnesses: Department of Industry. Room 16, 4 pm. **Expenditure, Social Services and Employment Sub-Committee. Subject:** Perinatal and Neonatal Mortality. Witnesses: Royal College of General Practitioners and British Medical Association. Room 6, 4.30 pm. **Science and Technology, Technological Innovation Sub-Committee.** Subject: Engine design. Witnesses: Riccardo Engineering, CAV Lucas. Room 5, 4 pm.

THURSDAY

COMMONS: Supply day. The question will be put on all outstanding estimates and votes. Debate on a subject to be announced.

LORDS: Social Security Bill, third reading. Carriage by Air and Road Bill, committee stage. Vaccine Damage Payments Bill, second reading. European Assembly Elections regulations. House of Commons (Redistribution of Seats) Bill, report stage. Northern Ireland Orders.

SELECT COMMITTEES: Nationalised Industries, Sub-Committee. D. Subject: Consumers and Nationalised Industries. Witnesses: Electricity Council, National Water Council. Room 8, 4 pm.

FRIDAY

COMMONS: Private Members' motions.

STOCK EXCHANGE BUSINESS LAST MONTH

Dealings in securities leap by £8.6bn

BY GEOFFREY FOSTER

BOOM TRADING returned to the gilt-edged sector of the Stock Exchange last month and helped lift turnover to its third highest-ever monthly total.

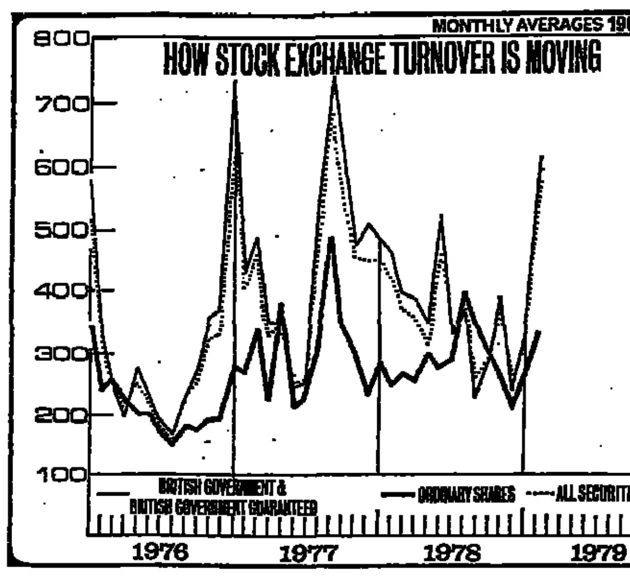
A sudden change in sentiment about the interest rate structure following the 1½ point rise to 14 per cent in Minimum Lending Rate on February 8 unleashed a wave of UK and overseas demand for Government stocks as confidence improved in sympathy with sterling's firm showing.

Supplies of two tap stocks and an unofficial short tap were soon exhausted. The issue of £1.3bn new tap stocks resulted in the two issues attracting unprecedented over subscriptions. Over £1bn was reported to have been forwarded for stocks which, in £15 paid form, called for rather less than £200m.

Both stocks in first-day dealings traded at premiums of about £3 to £4 on the issue prices, and heavy buying of gilts continued throughout the rest of the month on yield considerations.

Turnover in gilt-edged during the month jumped by £6.9bn, or more than 90 per cent, to £14.5bn, the highest since the all-time peak of £17.58bn achieved in September, 1977, and the third highest monthly total ever. Trade in short-dated stocks contributed more than half the total at £7.8bn, up £3.4bn on the January level.

Business in other fixed-interest stocks jumped by £3.5bn to £6.7bn. The average value per bargain in the shorts rose £47,482 to £220,405 and the total number of gilt-edged bargains jumped by 32,970 to 89,657. The FT turnover index for Government Securities last month leaped to 614.4 in February, against January's 322.0 and the 1978 monthly average of 369.2.



The consequent strong advance in gilt-edged values left the FT Government Securities index with a net rise on the month of 4.33 points at 70.60; earlier in the month, it was standing at a two-year low of 64.64.

The strength of gilts led to much improved activity in equities, in which good institutional demand helped business volume to increase by about £0.4bn to £1.8bn, the highest since last August's £2.2bn. The record was set in September, 1977, at £2.75bn.

Dealings in equities rose by 68,678 to 344,466, and the average value per bargain, at £5,356, was slightly higher than in January. The FT turnover index for ordinary shares improved to 329.2 on the month from January's 261.5, against last year's monthly average of 285.7.

Equity prices recovered from a dull start. Shortage of stock often showed in price gains exceeding double figures. From the month's low of 446.1, recorded on February 12, the FT 30-share index rebounded sharply to end the month 14.1 points higher on balance at 481.8.

Business in all securities swelled by a remarkable £8.6bn on the month to £18.8bn, the highest since the September 1977 peak of £22.4bn. The turnover index for all securities jumped to 575.2 in February from 312.4 the previous month. The 1978 monthly average was 354.3.

Gold shares took January's firmness a stage further in sympathy with a fresh upsurge in the gold bullion price. The FT Gold Mines index closed 11.5 points up at 176.8. After a record close of $253.625 per ounce on February 22, the gold bullion price ended $19.25 up on the month at $251.625.

Category	Value of all purchases and sales £m	% of total	Number of bargains	% of total	Average value per day £m	Average value per bargain £	Average no. of bargains per day
British Govt. and British Govt. Guaranteed:							
Short dated (having five years or less to run	7,847.3	41.8	35,604	7.5	392.4	220,405	1,780
Others	6,668.7	35.5	54,053	11.4	333.4	123,374	2,703
Irish Govt.:							
Short dated (having five years or less to run)	1,003.6	5.3	2,442	0.5	50.2	410,964	122
Others	764.6	4.1	4,070	0.8	38.2	187,874	204
UK Local Authority	402.9	2.2	6,729	1.4	20.1	59,880	336
Overseas Govt., Provincial and Municipal	48.0	0.3	1,799	0.4	2.4	26,668	90
Fixed interest stock, pref. and prefrd. ordinary shares ...	191.9	1.0	26,662	5.6	9.6	7,200	1,333
Ordinary shares	1,845.0	9.8	344,466	72.4	92.2	5,356	17,223
Total	18,772.2	100.0	475,825	100.0	938.6*	39,452	23,791

* Average of all securities

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Alexanders Discount, 1, St. Swithin's Lane, EC, 12
Claverhouse Inv. Tst., 8, Crosby Square, EC, 2.15

BOARD MEETINGS—
Finals:
Blagden and Noakes
Fisons
Invst. Tst. of Guernsey
Isle of Man Enterprises
Interims:
Manganese Bronze
Parker Knoll
Victor Prods. (Wallsend)

DIVIDEND & INTEREST PAYMENTS—
Birmingham Pallet 4.25p
Cook (Wm.) (Sheffield) 0.7p
Hardys and Hansons 5.5p
Howard Shuttering 0.54p
K Shoes 2.01p
Manson Finance Tst. 1.5p
Midland Tst. 2.01p
Ravbeck 1.131p
Rexnord Inc. 24 cts.
Scottish English and European Textiles 0.737p
Vibroplant 4.422p

TOMORROW

COMPANY MEETINGS—
Winterbottom Tst., Great Eastern Hotel, EC, 11

BOARD MEETINGS—
De Beers Consd. Mines
De Beers Ind. Cpn.
Greenfields Leisure
Mercantile Inv. Tst.
Turner and Newall
Unilever
Unilever NV
Union Cpn.
Wills (George)
Interims:
AAH
Elder Smith Goldsbrough Mort.
Scottish Cities Inv. Tst.
Sungei Krian Rubber Est.

DIVIDEND & INTEREST PAYMENTS—
Alcan Aluminium 50 cts.
Alexanders Discount Ord. 11.501p
Ault and Wiborg Db. 4½pc
Blue Circle Db. 4½pc
Bristol 10½pc Bds. Red. (12/9/79) 5¼pc
Brit.-American Tobacco Ln. 3½pc
Cannock Chase 10½pc Bds. Red. (12/9/79) 5¼pc
Claverhouse Inv. Tst. 2.9p
Collins (G. and W.) Db. 4½pc
Croda Organic Chems. Ln. 3¼pc
Dares Ests. Ln. 4pc
Ford Intnl. Cap. Cpn. Ln. 3pc
GT Japan Inv. Tst. 2p
Group Investors 0.8p
Hambro Tst. 0.65p
Hastings 10½pcBds. Red. (12/9/79) 5¼pc
Hereford and Worcester 10½pcBds. Red. (12/9/79) 5¼pc
Hillingdon 10½pcBds. Red. (12/9/79) 5¼pc
IMI Ln. 3½pc
Joseph (Leopold) Ln. 4½pc
Kirklees 10½pcBds. Red. (12/9/79) 5¼pc
Leeds 10½pcBds. Red. (12/9/79) 5¼pc
Lewisham 10½pcBds. Red. (12/9/79) 5¼pc
Manchester 10½pcBds. Red. (12/9/79) 5¼pc
Merchants Tst. Ln. 2pc
Merton 11¼pcBds. Red. (3/9/80) 5⅝pc
Newark 10½pcBds. Red. (12/9/79) 5¼pc
Norton Inds. Db. 4½pc
Olympia Db. 3½pc
Peterborough Motor Db. 4½pc
Reabrook Inv. Tst. 0.5625p
Redland Db. 3½pc
Routledge and Kegan Db. 3½pc
Salford 10½pcBds. Red. (12/9/79) 5¼pc
Sears Eng. Db. 4½pc
Sheffield 10½pcBds. Red. (12/9/79) 5¼pc
Sheffield Twist Drill and Steel Db. 3½pc
Strathclyde 10½pcBds. Red. (12/9/79) 5¼pc
Waddington (John) Db. 5½pc
W. Dorset 10½pcBds. Red. (12/9/79) 5¼pc
Whitbread Db. 4½pc
Wigan 10½pcBds. Red. (12/9/79) 5¼pc
Woodspring 10½pcBds. Red. (12/9/79) 5¼pc
Yorkshire Chems. Db. 5pc

WEDNESDAY, MARCH 7

COMPANY MEETINGS—
Blundell-Permoglaze, Connaught Rooms, Great Queen Street, WC, 12
Bond St. Fabrics, Wimbledon Works, Wimbledon Street, Leicester, 11
Lookers Ltd., 775, Chester Road, Stretford, Manchester, 12
Marley Ltd., Riverhead, Sevenoaks, Kent, 12

BOARD MEETINGS—
Finals:
Cornell Dresses
First Guernsey Secs. Tst.
Kode Intnl.
Nu-Swift Inds.
SKF
Westwood Dawes
Woodward (H.)
Woolworth (F. W.)
Interims:
Downing (G. H.)

DIVIDEND & INTEREST PAYMENTS—
BLMC 3 3¼ 4pc
Barclays Bk. Intnl. 3¼pc
Bedfordshire 8¼pcBds. Red. (7/3/79) £4.1961
Bournemouth Var. Rate Red (1983) £5.4045
Bracknell 8¼pcBds. Red. (7/3/79) £4.1961
Crawley 8¼pcBds. Red. (7/3/79) £4.1961
Dumfries and Galloway 12¼pcBds. Red. (7/3/79) £6.1815
Dundee 8¼pcBds. Red. (7/3/79) £4.1961
Dunlop Db 3½pc
Ealing 10¾pcBds. Red. (3/9/80) 5⅜pc
E. Devon 9⅝pcBds. Red. (5/9/79) 4¹³⁄₁₆pc
Fife 8¼pcBds. Red. (7/3/79) £4.1961
Gedling 8¼pcBds. Red. (7/3/79) £4.1961
Great Yarmouth 9⅝pcBds. Red. (5/9/79) 4¹³⁄₁₆pc
Harow 9⅝pcBds. Red (5/9/79) 4¹³⁄₁₆pc
Hertsmere 8¼pcBds. Red. (7/3/79) £4.1961
Highams Db. 3½pc
Hounslow 10¾pcBds. Red. (3/9/80) 5⅜pc
International Inv. Tst. 4½pcPf. 1.575pc
Isle of Man Steam Packet 17p (inc. bonus div. 2p)
Kingston 8¼pcBds. Red (7/3/79) £4.1961
Leeds 8¼pcBds. Red. (7/3/79) £4.1961
Lloyd 8¼pcBds. Red. (7/3/79) £4.1961
Newark 8¼pcBds. Red. (7/3/79) £4.1961
N.E. Derbyshire 8¼pcBds. Red. (7/3/79) £4.1961
Norwich 8¼pcBds. Red. (7/3/79) £4.1961
Prov. Cities Tst. 0.64p
Sainsbury (J.) Db. 3½pc
S. Bedfordshire 8¼pcBds. Red. (7/3/79) £4.1961
S. Derbyshire 8¼pcBds. Red (7/3/79) £4.1961
S. Kesteven 12¼pcBds. Regd (7/3/79) £6.1815
Strathclyde 8¼pcBds. Red. (7/3/79) £4.1961
Thanet 9⅝pcBds. Red. (5/9/79) 4¹³⁄₁₆pc. Do. 11¼pcBds Red. (1/9/81) 5⅝pc
W. Yorkshire 8¼pcBds. Red. (7/3/79) £4.1961
W. Yorkshire Passenger Transport Executive 8¼pcBds. Red. (7/3/79) £4.1961

THURSDAY, MARCH 8

COMPANY MEETINGS—
Charter Tst. and Agency, 20, Fenchurch Street, EC, 2.30
Cowie (T.), Millfield House, Hylton Road, Sunderland, 12
Finlas Hldgs., Fison Way, Thetford, Norfolk, 11.15
Grand Met., The Lyceum, Wellington Street, WC, 11.30
Lonrho Ltd., Grosvenor House, Park Lane, W, 12
Tate and Lyle, Europa Hotel, Duke Street, Grosvenor Square, W, 11.30
Watson and Philip, Angus Hotel, Marketgait, Dundee, 12

BOARD MEETINGS—
Finals:
Corah
Davies and Metcalfe
Crouch (Derek)
Erie Forge
Gen. Mng. and Fin. Cpn.
Goode Durrant and Murray
Harris and Sheldon
Lex Service
Needlers
New Equipment
Royal Dutch Petroleum
Sharpe (W. N.)
Shell Transport and Trading
Taverner Rutledge
Interims:
Galliford Brindley
Hunt and Moscrop (Middleton)
Staffordshire Potteries
Strong and Fisher
Utd. City Merchants

DIVIDEND & INTEREST PAYMENTS—
Bolsover 9¼pcBds. Red. (5/3/80) 4⅝pc
Borders Var. Rate Bds. (2/3/83) £5.2188
Cleveland 9¼pcBds. Red. (5/3/80) 4⅝pc
Cowie (T.) 1.5458p
Easington 10¾pcBds. Red (3/3/82) 5⅜pc
Gillingham 9¼pcBds. Red. (5/3/80) 4⅝pc
Marley 1.78098p
Mid Sussex Water 8pcPf. 1981 4pc
Newham Var. Rate Bds. (2/3/83) £5.2188
N. Devon 9¼pcBds. Red. (5/3/80) 4⅝pc
Oswr 9¼pcBds. Red. (5/3/80) 4⅝pc
Renold Ln 3½pc
Sedgefield 9¼pcBds. Red. (5/3/80) 4⅝pc
Smith (David S.) 2p
S.A. Land and Exploration 25 cts.
Southvaal Hldgs. 57 cts.
Torfaen 10¾pcBds. Red. (3/3/82) 5⅜pc
Vaal Reefs Exploration 180 cts.
Warner Ests 1.57403p
W. Lothian 9¼pcBds. Red. (5/3/80) 4⅝pc
Western Deep Levels 82.5 cts.

FRIDAY, MARCH 9

COMPANY MEETINGS—
Bet Brothers, Angus Hotel, Marketgait, Dundee, 12
Hawthorn (R. and W.) Leslie, Great Eastern Hotel, Liverpool Street, EC, 12
Sidlaw Ind., Meadow Place Buildings, Dundee, 12

BOARD MEETINGS—
Finals:
BSR
Finlay Packaging
McCleery L'Amie
Midland Bank
Interims:
Audio Fidelity
Bracken Mines
Kinross Mines
Leslie Gold Mines
St. Helena
Scholes (G. H.)
Winkelhaak

DIVIDEND & INTEREST PAYMENTS—
AMF Inc. 31 cts.
Abbey 1.085p
Braid Grp. 1.06258p (inc supp. dist. of 0.0072p o/a 1977)
Charter Tst. and Agency Ord. 1.7p
Comml. Banking Sydney 7.5 cts.
Gough Cooper 3.38p
Hales Props. 0.8993p
Heavitree Brewery A Pf. (£6 and £5) 2.1pc. Do. 8Pf. 7pc
Lazard Brothers Sterling Reserve Fund Ptg.Red.Pf. 0.9p
Purolator Inc. 32 cts.
Ratners (Jewellers) 0.8375p
Restmor Grp. 0.28p
Sedgwick Forbes Hldgs. 6.7p
Texaco Inc. 50 cts.
Treasury 11½pc 1979 5¾pc
Wellman Eng. Cpn. 1.265p
Western Board Mills 1.4p

SATURDAY, MARCH 10

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mtg. Cpn. 9¼pcDb. 1980-85 4⅝pc. Do. 7¼pcDb. 1981-84 3⅝pc. Do. 6⅞pcDb. 1985-90 3⁷⁄₁₆pc
Chrysler Cpn. 10 cts.
Gen. Motors Cpn. 100 cts.
Intnl. Business Machines Cpn. 344 cts.
Kraft Inc. 70 cts
Newcastle upon Tyne 9¼pcCons. Red. (1978-80) 4⅝pc
Squibb Cpn. 27 cts.
Travelers Cpn. 52 cts.
Utd. Technologies Cpn. 55 cts.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Castings '79 Exhibition (0737 68611) (until Mar. 9)	Exbn. Centre, Birmingham
Mar. 6—9	Powtech '79—International Powder Technology and Bulk Solids Exhibition (01-686 5741)	Exbn. Centre, Birmingham
Mar. 6—17	Chelsea Antiques Fair (56 56069)	Chelsea Old Town Hall
Mar. 6—31	Daily Mail Ideal Home Exhibition (01-353 4000)	Earls Court
Mar. 10—18	Boys and Girls Exhibition (0532 620361)	Alexandra Palace
Mar. 11—15	Autoquip '79 (01-235 7000)	Wembley Conference Centre
Mar. 12—16	Labex Intnl. (Lab., Diagnostic and Medical Inst. Exhibition) (021-705 6707)	Exbn. Centre, Birmingham
Mar. 13—15	Computermarket '79 (01-935 4996)	Albany Hotel, Glasgow
Mar. 18—21	Toy Fair (04252 72711)	Brighton Centre
Mar. 19—23	Scottish Business Show (031-229 6412)	Kelvin Hall, Glasgow
Mar. 20—22	International Public Address Equipment Exhibition —Sound (75 39455)	Cunard International Hotel
Mar. 21—22	EIA Engineering Exhibition (01-222 2367)	Sandown Park, Esher

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Motor Show (until Mar. 11)	Geneva
Current	International Boat Show—HISWA (until Mar. 11)	Amsterdam
Current	International Tourism — Exchange Exhibition (01-540 1101) (until Mar. 11)	Berlin
Current	International Household Appliances (01-439 3964) (until Mar. 12)	Paris
Current	European Trade Fair for the Meat Industry and Manual Trade—EUROBEEF (until Mar. 11)	Brussels
Mar. 9—18	Primvera '79—International Gift and Novelty Exhibition	Genoa
Mar. 17—25	International Light Industries and Handicrafts Fair (01-486 1951)	Munich

BUSINESS AND MANAGEMENT CONFERENCES

Current	Mobile Training: Company Taxation for Managers (01-242 3067) (until Mar. 16)	Charing Cross Hotel, WC1
Current	ORC (Europe): Employee Relations in Europe (01-491 2673) (until Mar. 9)	Luxembourg
Mar. 5	University of Bradford: Managing Technological Innovation (Bradford 42299)	Heaton Mount, Bradford
Mar. 5—6	Oyez—IBC Advertising and Marketing to Women (01-242 2481)	Royal Lancaster Hotel, W2
Mar. 5—8	AMR International: Zero Base Budgeting (01-837 6470)	Hotel Russell, WC1
Mar. 5—9	Crown Eagle Communications: Concentrated Course in U.S. Government Contracts (01-636 0617)	Carlton Tower Hotel, SW1
Mar. 6	BACIE: Training for the Office (01-636 5351)	Sackville Hotel, Hove
Mar. 6	Executant Management Consultants: A National Strategy for Quality (0494 33171)	Skyways Hotel, Heathrow
Mar. 6	Abacus: LCCI Successful Exporting—Can we learn from France and Germany (0605 881300)	Lombard Street, EC3
Mar. 6	Brunel Institute: Manpower Development for Capital Projects in the Third World (0895 56461)	Brunel University, Uxbridge
Mar. 6—7	ASM: Cost Analysis and Financial Techniques for the Buyer (01-385 1992)	Piccadilly Hotel, W1
Mar. 6—7	Con-Cast '79 Conference (0990 23711)	Metropole Hotel, Birmingham
Mar. 7	McGraw Hill: How you can develop executive talent for tomorrow-today (Maidenhead 23432)	Royal Garden Hotel, W8
Mar. 8	ESC: Political Risks and the Business Community (057282 2711)	Royal Lancaster Hotel, W2
Mar. 9	Oyez-IBC: Transport of Hazardous Cargoes by Air (01-242 2481)	Sheraton Skyline Hotel, Heathrow
Mar. 12—14	AMR International: Management Skills for Women (01-262 2732)	Churchill Hotel, W1
Mar. 12—14	Institute of Directors: Finance for Non-Financial Executives (01-839 1233)	London, SW1
Mar. 12—15	MSS Computer and Business: Production Planning and Control (0903 34755)	Northumberland Ave., W1
Mar. 12—16	Brunel Institute: Social science inputs to organisation development (0895 56461)	Uxbridge
Mar. 13	AGB: The Search for Opportunities with Dr. Edward de Bono (01-353 3651)	Café Royal, W1
Mar. 13	PE Consulting Group: Solving Problems by Simulation (Egham 4411)	Lower Belgrave St., SW1
Mar. 13—15	GIM: Finance for the Non-Financial Manager (0788 812125)	Cawston
Mar. 14	IPS: Food and Drink (0990 23711)	Royal Garden Hotel, W8
Mar. 14	Imperial College: Forecasting: Art or Science? (01-589 5111)	London, SW7
Mar. 14	Oyez-IBC: Practical Steps for Exporters and their Suppliers—Minimising Risks under American Strict Liability Laws (01-242 2481)	Hilton Hotel, W1
Mar. 14	CCC: Cost Effective Purchase and Operation of Car and Light Van Fleets (01-222 6362)	Europa Hotel, W1
Mar. 14	The Centre for Interfirm Comparison: Management Ratios and Interfirm Comparison (0206 62274)	Parker Street, WC1
Mar. 14	The Henley Centre for Forecasting: Costs and Prices, Forecasts to 1984 (01-251 3841)	Carlton Tower Hotel, SW1
Mar. 14	Auto Accessory Retailer/SMMT: Automotive Parts and Accessories Aftermarket: 1979 (Beaconsfield 71248)	Wembley Conference Centre

CONTRACTS AND TENDERS

COMPANY NOTICES

Q.P. CORPORATION
(Q.P. Kabushiki Kaisha)

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS ("EDRs")

NOTICE IS HEREBY GIVEN to holders of EDRs that Q.P. Corporation paid a dividend of Y.12.50 gross per Share on 28th February, 1979, to shareholders on the Company's register at the close of business on 30th November, 1978. This dividend has been converted to U.S. Dollars and amounts to U.S.$61.20 gross per EDR representing 1,000 shares and U.S.$6.12 gross per EDR representing 100 Shares.

Accordingly, Kleinwort, Benson Limited as Depositary informs holders of EDRs that they should claim their dividends by presenting Coupon No. 3 on or after 6th March, 1979, at (a) the office of the Depositary, Kleinwort, Benson Limited, 20, Fenchurch Street, London EC3P 3DB, or at (b) the office of the Agent, Banque Generale du Luxembourg S.A., 14, rue Aldringen, Luxembourg.

Coupons must be left for three clear business days for examination and may be presented on any weekday (Saturdays and public holidays excepted) during normal business hours.

Japanese withholding tax at the rate of 20 per cent. will be deducted from the gross value of all dividends paid unless the EDR holder lodges, in a form acceptable to the Depositary, an affidavit of residence in a country having a tax treaty or agreement with Japan providing for a lower rate of withholding tax, in which case such lower rate will be applied.

The difference between the amount of withholding tax so deducted and the standard rate of income tax payable in the United Kingdom will also be deducted from all dividends paid in the United Kingdom unless holders of EDRs furnish the Depositary with the usual affidavits of non-residence in the United Kingdom.

KLEINWORT, BENSON LIMITED,
Depositary.
London.
5th March, 1979.

TENDERS FOR GREATER LONDON BILLS

1. The Greater London Council hereby give notice that Tenders will be received at the Chief Accountant's Office (Bank Buildings), Bank of England, London, EC2R 8EU, on Monday, 12th March, at 12 noon for Greater London Bills to be issued in conformity with the Greater London Council (General Powers) Act, 1967, to the amount of £25,000,000.

2. The Bills will be amounts of £5,000, £10,000, £25,000, £50,000, £100,000 or £250,000. They will be dated Thursday, 15th March, 1979, and will be due 91 days after date, without days of grace.

3. Each Tender must be for an amount not less than £25,000, and must specify the net amount per cent (being a multiple of one new halfpenny) which will be given for the amount applied for.

4. Tenders must be made through a London Banker, Discount House or Broker.

5. The Bills will be issued and paid at the Bank of England.

6. Notification will be sent by post, on the same day as Tenders are received, to the persons whose Tenders are accepted in whole or in part and payment in full of the amounts due in respect of such accepted Tenders must be made to the Bank of England, by means of cash or by draft or cheque drawn on the Bank of England not later than 1.30 p.m. on Thursday, 15th March, 1979.

7. Tenders must be made on the printed forms which may be obtained either from the Bank of England, or from the Council's Offices at The County Hall.

8. The Greater London Council reserve the right of rejecting any Tenders.

M. F. STONEFROST,
Comptroller of Financial Services.
The County Hall,
London SE1 7PB.
5th March, 1979.

LONDON METAL EXCHANGE WARRANT

Please be advised that Warrant No. 193632 — 1284 Zinc Ingots — Brand: ... weight 24 54 M Tons stored in Rotterdam, has been replaced and the above Warrant should be considered null and void.

C. STEINWEG N.V.

PUBLIC NOTICE

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

The Annual General Meeting of the Society will be held in the Head Office, No. 28, St. Andrew Square, Edinburgh, on Thursday, 15th March, 1979, at 2.30 p.m., to receive the Report and Accounts for the year ended 31st December, 1978, to fix the remuneration to be received by the Directors and to re-appoint Mr E. R. L. Walker, C.A., Auditor to the Society.

By Order of the Board.
A. M. ROBERTSON,
General Manager and Actuary.
28, St. Andrew Square,
Edinburgh.

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● SERVICES

A presence in Europe

BIGGEST OF the European computer service groups, GSI has disclosed its plans for a strong push into the UK market through CRC Information Systems and Cybernet, which it acquired some months ago and will be renaming on April 1.

GSI, which stands for the somewhat difficult name Générale de Service Informatique, expects to turn over around £82m this year, which will be a 30 per cent increase on 1978—remarkable even for the computing industry. Its present emergence as a powerful backer for the erstwhile CRC, with something like £2m invested in new equipment, software and marketing staff for this year and last, means sharp competition on the way for companies in the UK market, particularly those offering a time-sharing service.

It must be remembered that CRC, which will in future be known as GSI (UK), is running the Scan service to the stockbroking fraternity and that Scan was one of the first effective on-line services to be set up in Europe. Scan is inevitably affected by the continued failure of the LSE to effectively operate the Talisman service to brokers and it has not gone unnoticed that GSI is in negotiations with the French stock exchange—ostensibly operating a similar computer system with comparable software—under which the company would provide a degree of facilities management support.

Meanwhile GSI now has 2,600 staff and is providing services to 7,000 European companies, plus a number of organisations in the U.S.

Its management has noted a number of interesting developments in user requirements in the past few years. Even large companies, having their own important central computers, are now prepared to hand over payrolls with as many as 10,000 names to the experts and the anticipation is that the trend could continue into many company routines.

GSI has the healthy attitude that computers are "only a means to an end" and will buy any equipment and software that has proved itself to be effective. In other words, the accent is on service to the user.

Since GSI is number one in Europe, it is hardly surprising that the target set for its UK arm is to be number one in Britain and while that may seem far-fetched after the problems the group has encountered in recent years, the establishment of a European market for original CRC products is of very great importance.

At the same time, a large group can spend far more money on an important development since the cost can be split up between many more users.

A move has been made, meanwhile, to launch two new and important services in Britain. The first is Outlook, described as both a financial language and a computer programme to help executives prepare business plans, cash flow forecasts, budgets and the assessment of risks.

The second product, already used in France and Germany, is called IDS (for International Dealer Systems). Intended to help dealers in the automotive trades to keep track of their multiplicity of spares, the service offers four levels of complexity.

It will appeal to 60 makers and 13,000 dealers in cars; 16 makers and 1,000 dealers in heavy vehicles; 20 makers and 4,000 dealers in agricultural equipment and at least 50 companies and possibly 5,000 outlets in allied industries. Some of the dealers already use alternative systems, but the unconverted very heavily outweigh those using automation and there is a vast market which can start with users whose requirements do not go over £100 a month of inventory support.

Further from GSI UK, 83 Clerkenwell Road, London EC1R 5H. 01-242 0747.

● TRANSPORT

Italian connection will speed the goods

ONE OF the fastest road and sea transport services to main ports in North Africa and the Middle East has been set up by Cave Wood (Transport) in joint venture with Ignazio Messina and C. of Genoa.

Operation of the service centres on Messina's 45,000 square metre roll-on/roll-off terminal at La Spezia in northern Italy where some of the most up-to-date handling equipment is now being employed. Docking facilities enable three ships to be loaded simultaneously with containers, cars, agricultural and heavy construction machinery. Goods of all kinds can be handled.

Non-stop operations

A door-to-door security-sealed service is offered and is based on a 3½-day run by road vehicles from the U.K. to the Messina terminal at La Spezia.

By this means, it is claimed, and as an example, goods will reach Jeddah, the Arabian port on the Red Sea in a minimum of 10 days and rarely as much as 16 days. Jeddah is a transit port for Riyadh and other major development areas in Saudi Arabia. An optional port of call is Port Sudan on the opposite side of the Red Sea.

The terminal operates continuously, day and night, and has its own customs facilities. Large covered areas are available for the temporary storage of vehicles, goods and machinery awaiting shipment.

Plans for setting up the service were made in 1977 and the past 18 months have been devoted to development and the ironing out of difficulties. Nevertheless, in 1978, 263 voyages from La Spezia to North Africa and the Middle East were achieved and these involved the transhipment of about 21,000 cars, 15,000 full and 15,000 empty containers, 9,000 industrial vehicles and items of machinery, 2,500 loaded semi-trailers and 2,300 empty semi-trailers.

Cave Wood bases its optimism for the success of this venture on the argument that few shipping lines run directly from the UK to the ultimate destination—they usually call at several ports en route with consequent increasing likelihood of delay.

Documents

Again, says the company, overland routes bring problems, especially at frontiers, when the release of essential documents may be held up and the vehicle delayed. When the Cave Wood/Messina system is used documents are processed while the goods are travelling across the Continent to La Spezia. The documents are then sent to meet the load at the Italian terminal.

Now operating from La Spezia are 13 roll-on/roll-off vessels plus 5 vessels converted for this type of operation. These ships are all owned by Messina and two more are being modified and enlarged in Messina's shipyard at Calata Boccardo. These two ships will be added to the fleet this month. To these vessels must be added four more on charter.

Daily departures

The fleet has been organised so that three vessels can leave La Spezia every day, seven days a week (there are no tide problems) for Libya (Tripoli and Benghazi), Jeddah, Malta, Alexandria, Beirut, Lagos in West Africa and many other ports.

This service, claims Cave Wood, means that goods are carried through to destination by one operator and that loads can be despatched within 24 hours from the U.K. or other Cave Wood European depots. The company offers the use of standard 20ft containers, semi-trailers and low-loading and machinery trailers up to 50 tonnes capacity.

Details about the new service can be obtained from Cave Wood (Transport), PO Box 92 Coronation Road, High Wycombe, Bucks. HP12 3TW (0494 446541) or from Ignazio Messina and C Spa, Via di Settoripa 1A/116, 161Z4 Genoa, Italy.

Cave Wood, which is a wholly owned subsidiary of Tozer Kemsley and Millbourn, only recently linked with a French company, Mitjavile, to establish a new base with offices and warehouse facilities at Pantin on the N3 north of Paris and within one of the main customs clearance terminals.

Both French and British registered road trailers will be available as well as a fleet of 2 to 10-ton vans for delivering U.K. goods to Paris and its environs.

● PROCESSING

No harm if pump runs dry

INCLUDED IN its range of equipment for handling liquids in the food and chemical processing industries is a self-priming vertical glandless pump, announces APV Kestner, Greenhithe, Kent DA9 9NG.

Based on the 40 mm discharge unit which has a mid curve performance of 25 cubic metres per hour against a total head of 25 metres, the lower rotor casing of the pump is extended by the addition of a diffuser casing in which an additional impeller rotates within a diffuser ring.

A priming pot, coupled to the pump section and discharge, is arranged to retain a sufficient level of liquid to ensure that the bottom impeller is always covered by liquid, and the pump will reprime itself automatically.

Absence of glands, seals, bearing and neck bushes inside the pump enables it to run completely dry for indefinite periods without harm. Consequently, the pump can be used for intermittent duties, such as the transfer of effluent from collection vessel to treatment plant.

All components are made from Keeplus, a tough compression-moulded thermosetting plastic which is said to have excellent resistance to a wide range of acids, alkalis, and abrasive liquids used in the process industries at temperatures up to 100 degrees C.

● HANDLING

Gives greater reach

COMPLEMENTING its Kompakt range of hydraulic work platforms is the newly introduced Zipper FM30 from Access Equipment, Maylands Avenue, Hemel Hempstead, Herts. HP2 7DW (Hemel Hempstead 2311).

Main difference of this model is its articulated arm which provides extended height and outward reach.

Machine is trailer mounted, battery operated, with a built-in charger unit. It has a working height of up to 30 feet.

Cruciform outrigger base is said to provide all round stability with ease of operation and compact transit dimensions.

In addition to its extending upper arm, the Zipper has a continuous slewing feature which rotates it through 360°. Positioning of the machine is no problem, says the company, and many areas can be reached from one central position. Ball bearing slewing ring is a totally enclosed, sealed unit and requires no adjustment.

Submersible pumps

HYDRAULICALLY POWERED submersible pumps are to be produced for use on sites where electricity supplies are not available or where it is desirable to have a completely self-contained and independent portable unit.

The diesel engine-driven hydraulic power packs will be available as frame mounted basic chassis units, wheeled mobile site units or built on to road trailers.

The free standing pumps will be available in a range of sizes and can be fitted with different types of impeller to produce a wide range of performance capabilities.

The pumping set is marketed by Flygt Pumps, Colwick, Nottingham, NG4 2AN.

● MATERIALS

Cleans the machine

USERS OF injection moulding, extrusion or blow moulding machines are being offered a material for removing thermoplastics or rubber from screws, dies, barrels, nozzles, and other machine components that need to be cleaned.

It is called Dalpurge and is stated to be a non-toxic powder which is mixed with the incoming raw material and processed through the machine. Small quantities are said to be sufficient for a successful purge and the material can be used with plastics packing coming into contact with food. There is no need to remove an extruder die before purging.

The material is supplied by Industrial Science, Leader House, 117-120, Snargate Street, Dover, Kent CT17 9DB (0304 202656).

● TEXTILES

Fabrics can be made quickly

STITCH-BONDING is the most recent form of manufacturing textiles. It differs from both weaving and knitting in that a network of fibres or yarns is stitched together by what is, effectively, a multi-head sewing machine. The process is fast and makes cloths that, although differing in characteristics from classical textiles, are managing to find new applications as well as providing an alternative to more expensive woven or knitted cloths in others.

Most of the stitch-bonding machines are built in East Germany, although other types of machine are built in Czechoslovakia and the USSR. Most of the developments in terms of fabric applications have been in Eastern Europe where criteria are not so stringent and where an economical process of this kind has considerable appeal.

A new range of machines has just been introduced in East Germany by VEB Nahwirkmaschinenbau Malimo (British agent: Kennedy Wagstaff, 153 Parker Drive, Leicester LE4 0JP. Telephone: 0533 354321.)

This is the two-bar model 14012 Maliwatt machine which is able to produce fabrics up to 2400 mm. wide in gauges of 7, 10, 12, 14 and 18.

In this machine there are two guide bars, one of which is positioned above and one below the guide bar shaft. Cam boxes, however, have been omitted from the new machine which is fitted with two profiled discs, or pattern wheels, that control the stitch mechanism and are driven from the main gear box by a timing belt, while the guide bars are moved through pattern wheel followers and push rods. With this new system the guide bars will repeat their pattern action on every stitch or after 2, 4, 8 or 16 stitches. With this more versatile machine it is possible to operate at speeds of up to 1,000 stitches per minute, but this will depend upon the quality of the material being processed.

Maliwatt is one of a series of speciality products in a range of stitch-bonded materials. It consists of a web of fibres sewn together by the binding yarns.

Most of the fabrics would appear to be finding application in curtainings—both printed and plain — mattress tickings and as a support for coated fabrics which again can be either printed or plain.

Another and possibly even more *significant development* from Malimo is that of Malifol which is being commercialised this year. Again it is a stitch-bonding process but this is used to bind basic sheets of such materials as split polyester (which may be produced from regenerated plastic waste), pvc or polyurethane film which can be laid up in both warp and weft direction to give a very cheap substrate industrial raw material for say earth reinforcement or filtration or even packaging.

The materials produced can be 1.6 or 2.4 metres in width. Film may be fed into the machine as a complete warp film, but once penetrated by the multi-needle head, it will fibrillate into an even sheet of tapes that will run through the stitched material. For weft a simple carriage takes the sheet of film to and fro across the stitching width where it is held in place by weft "hook chains" on each side. The film, in this instance will normally pass through a small fibrillator unit at the side of the machine and this will disintegrate the sheet of film as a network of fibres.

In Eastern Europe the material from this Malifol machine has been used for carpet backings, as an insulation material and as an inexpensive support for coated fabrics. Interesting is that Malifol has been conceived in terms of recycling thermoplastic wastes that can be converted into second quality film and used in these non-critical industrial-type fabrics.

Building and Civil Engineering

Big desert water supply project

ONE OF the latest involvements for Sir M. MacDonald and Partners is the supervision of construction of the Riyadh Additional Water Supply Project following receipt of a letter of intent from the Saudi Arabian Ministry of Agriculture and Water.

The project, the total cost of which is expected to be about £400m, began with a water resources study which MacDonald began in December 1972. This study was completed and a detailed report submitted three years later. The consulting engineers were subsequently appointed to undertake detailed design of the project to provide exactly twice the 100,000 cubic metres of water originally proposed for supply daily to the desert capital.

Water will be drawn from a deep aquifer about 100 km east of Riyadh, pumping it to the city after treatment. Provision has been made for the later incorporation of a desalination plant which say the engineers will be the largest reverse osmosis system ever built for domestic water supply. Water is expected to flow during 1980.

The project falls into five parts: a deep well field, the water treatment works, a power station, a village and a 130 km pipeline with associated pump stations and reservoirs.

The well field will consist of 62 wells, 450 metres deep. The water is up to 25,000 years old and is brackish. It has been estimated that even after 60 years of peak rate pumping only 10 per cent of the available water will have been removed.

The village will house 1,000 people and will be the first permanent settlement east of Riyadh on the Damman road. There will be emphasis on irrigation and planting at the village, a belt of 40,000 trees being included to act as a shield from the desert winds and to provide fuel.

The power station will provide standby power in case of mains failure for well pumps, the pipeline pump station, the water treatment plant and the village.

Brims wins £5m in north-east

FOUR NEW awards to Brims and Co., total around £5m. Largest contract is valued at about £3.6m and is for the construction of the first phase of the new County Offices at Morpeth for Northumberland County Council.

This contract calls for the erection of two four-storey and two three-storey blocks of offices connected around a central courtyard by four three-storey links, giving a total floor area of about 10,450 square metres. Work is about to start with completion in two years.

Work has started on a telephone exchange at Newburn and extensions to an existing exchange at Gosforth for the Property Services Agency—a contract worth over £600,000.

At Seaham, the company is to build a multi-purpose sports hall for Easington District Council (worth over £½m) and at Ellington Colliery in Northumberland, the National Coal Board has placed a contract worth over £¼m for the erection of new offices.

£10m road award

A CONTRACT worth £10.4m for the construction of the A66 Stockton/Thornaby diversion in the County of Cleveland has been awarded to Cementation Construction by the Department of Transport North Eastern Road Construction Unit.

The contract, which will take two years to complete, includes the construction of a 6.4 km length of flexible carriageway to trunk road standards, commencing to the South West of Hartburn and running eastwards through urban/rural surroundings to Thornaby. The carriageway will link up with the existing A19 interchange completed in October 1975 by a Cementation Construction / Cleveland Bridge consortium.

Eleven bridges, four culverts, four under-passes and three retaining walls are included in the contract. Foundation conditions vary says Cementation and both piled and spread footings will carry piers and abutments walls to support large precast concrete unit decks.

A new crossing of the River Tees is also involved and will comprise a composite deck with a concrete slab carried by steel main girders.

£2m Monk project

DESIGN AND construction of the extension to an existing spare parts store at Warrington, Cheshire valued at £2m, has been awarded to A. Monk and Co. by Fiat (England). Original store was completed by the company in 1973 and the extension occupies a portion of a tarmac-surfaced car storage area.

Building will be a steel portal frame structure with a concrete floor slab finished by the vacuum treatment process. It will have a dado brick wall with glazing above and pvc coated steel cladding to the eaves; the roof is to be of asbestos cement sheeting, having ridge and slope smoke release ventilation.

Connecting with the stores is an office and welfare block also of steel frame on concrete slab mounted on cast insitu concrete piles. Cladding will consist of precast concrete panels having an external finish of exposed aggregate to match an existing building.

Part of the contract includes auxiliary building of structural steel frame on concrete foundations, pvc-coated steel wall cladding and asbestos cement roof.

In addition to the general heating, ventilation and fire sprinkler facilities, the usual water and electricity services are to be provided, plus loading bay, retaining walls and tarmac surfacing around areas of the new construction.

£4½m Jarvis contracts

A NEW headquarters for Agfa-Gevaert is to be built by J. Jarvis at a cost of £3½m. Jarvis has also won three other contracts which bring the total to £4½m.

The six-storey headquarters for Agfa-Gevaert in Great West Road, Brentford, Middlesex, will, in December 1980, replace the company's existing office block and temporary accommodation on the site. Designed by Fuller Hall and Foulsham it will include a training school, cinema and demonstration facilities as well as open plan offices.

Under another award, the 20th floor of 99 Bishopsgate, London EC2 is being fitted out with air-conditioned commercial banking facilities for the First City National Bank of Houston, Texas, USA (the architect is the Elsom Pack Roberts Partnership), while in Sunderland, Tyne and Wear, Jarvis is building three terraces each of four single-storey advance workshop units on the Leachmore Industrial Estate for the English Industrial Estates Corporation. Ronald Chipchase and Associates is the architect.

Flood defence levels of three miles of the Middlesex bank of the Thames between Syon Garden Centre and Twickenham Bridge are being raised by Jarvis for the Department of Health Engineering of the Greater London Council.

Bank job in City

A SEVEN-STOREY office building comprises Phase 1B of the National Westminster Bank, Bishopsgate development, London, and is the subject of a £4.1m contract awarded to Mowlem (Building). Centrepiece of this development is the Nat West Tower, currently being built by the company and now nearing completion.

New building includes a banking hall facing on to Old Broad Street in a corner of the development originally designated for a new City of London club.

Construction of the new building has been progressing through much of last year under a letter of intent and completion is due at the end of 1979.

Architect is R. Seifert and Partners; structural consulting engineer Pell Frischmann and Partners; Troup Bywaters and Anders are consultants for the environmental services, and C. E. Ball and Partners and Thompson and Alexander the appointed quantity surveyors.

Buries cables in the sea bed

WORK IS in hand on the design and construction of a full-scale rock trenching machine intended primarily to provide a deep underwater channel to protect the proposed 2,000 MW high voltage dc cable which is to be laid between Britain and France.

Though it is being built for the power project, the machine must inevitably be of special interest for the companies operating in the North Sea whose gas and oil pipelines are constantly at risk from trawls and the vast anchors of lay barges.

Development work includes the evaluation of underwater rock cutting techniques with the necessary design and construction and Anderson Strathclyde of Glasgow, specialists in the building of coal-cutting equipment and other similar mining machines, has been closely associated with Land and Marine (Bos Kalis) as a sub-contractor.

Tests of prototype equipment have been run in a number of quarries in the past year and the final design will be put through its paces in the Channel later this year.

Land and Marine is also assisting Balfour Beatty in a parallel development—like the first commissioned by the Central Electricity Generating Board—to build the cable laying machine that will be needed for the new 46-kilometre cross-Channel link. Land and Marine's involvement is in the design and provision of the jetting equipment required to clear away the softer deposits ahead of the machine.

Full scale trials of this equipment are intended to take place in the Channel concurrently with those of the rock trencher.

Bos Kalis Westminster Group is at Westminster House, Blacknest, Alton, Hamphire GU34 4PU. 04204 3361.

The new cable link will greatly extend the interconnection between the UK and French grids which are now exchanging power through a 160 MW undersea cable.

The track to be followed will run from Dungeness to Equihen, near Boulogne.

Keeping the rivers sweet

PREVENTION OF pollution of inland waterways is the subject of increasing concern for the general public and for Governments all over Europe and the world. But industries and waterborne craft need to discharge some effluent and restrictions on this inevitable discharge are being made more stringent than ever.

Lee Engineering has been looking at the problem from its own viewpoint of equipment manufacture and has come up with numerous products that will handle several situations, including those demanding oil-water separation.

Coalescing separators will deal with conditions which arise in the latter problem area and they are based on the use of cartridge elements containing tightly packed layers of fibrous materials. These oleophilic fibres, frequently as small as 0.5 micron in diameter, act to sweep up oil droplets in continuous water phase so that when emulsions are forced through such filters, the tiny oil particles preferentially adhere to the fibres, coalescing to form larger droplets as they migrate through the elements, emerging in aggregations large enough to rise quickly to the top of the water, ready for removal by skimmers or other equipment.

Typical systems will remove free, dispersed and emulsified oils to a content of less than 10 parts per million.

Particularly important is the company's claim that its non-blinding cartridges provide an element life of as much as up to 50 times that of conventional cartridges. Meanwhile, the system will produce good quality recovered oil with typically less than ½ per cent water content.

Equipment is available to handle flow rates from one to 1,500 gallons per minute and it is delivered in ready to use arrays either for shipboard or land-based installations.

Lee Engineering, Napier House, Bridge Street, Walton on Thames, Surrey. Walton on Thames 43124.

£1.6m awards to Tilbury

SOUTHERN and Lambourn division of the Thames Water Authority has awarded contracts worth more than £1.26m and £325,000 respectively to Tilbury Construction.

Reconstruction of the Leatherhead Sewage Treatment Works is now in hand. This involves demolition of the existing structures and the provision of an oxidation ditch, three settlement tanks, and all other necessary works.

Work is also starting at the Silchester Works where extensions will include pumping stations, humus tanks, pebble clarifier pipework chambers and site works.

Consulting engineers expand

CONSULTING engineers White, Young and Partners have formed a company to be known as White, Young Project Development.

Aim of this venture is to coordinate the Group's international and management consultancy work and particularly it will concentrate its activities on project initiation covering planning and feasibility studies, contract preparation and negotiation and the appointment and supervision of contractors. An all-round project management service will also be offered.

The company will be based at Forum Chambers, Town Centre, Stevenage, Herts SG1 1EL (0438 59451).

Bovis takes charge in Amman

THE NEW Marriott Hotel in Amman, Jordan will have Bovis International as construction manager, following the company's appointment by International Construction and Investment Company.

Hotel facilities include an indoor swimming pool, conference rooms, ballroom and restaurant. It is designed to five-star standards and will be a 16-storey reinforced concrete structure with fair-faced concrete cladding.

Total floor area of the 300-bedroom hotel will be around 26,000 sq metres.

It is being built for the Arab International Hotel Company and will be operated by the Marriott Corporation.

In 1974, Bovis was responsible for the project management of the Marriott Hotel in Amsterdam.

Sussex hospital

EXTENSIVE WORK at Crawley Hospital, Sussex, will be undertaken by Willment's building and civil engineering division awarded by SW Thames Regional Health Authority.

Contract covers the building of a new block and link bridge as well as modifications to the theatre area and other buildings.

Willment has already started work on the project which is due to be completed in 104 weeks.

Wiltshiers' acquisition

INCREASING activity in the southern area of the UK by Wiltshiers is foreshadowed by the latter's acquisition of some of the assets of the former Winchester-based contractor Hantscon.

A wholly-owned subsidiary, to be known as Hantscon Builders, has been formed to undertake contracts worth up to about £250,000. Wiltshiers will set up a regional office at the premises in Winnall Close, Winchester, originally occupied by Hantscon.

The existing steel fabrication and metalwork section, as well as the joinery and small works department are to remain and the 24-hour emergency service is to continue.

Offices in Leeds

HIGGS and Hill Northern has been awarded a contract, valued at £2.3m by Electricity Supply Nominees for the construction of a 7,618 square metre office block, and ancillary works to existing buildings, in Leeds City Centre between Infirmary Street and Quebec Street.

The new L-shaped building will be a reinforced concrete structure with a basement and six floors. The ground floor is to be fitted out as a display area, for office letting purposes.

Offices by McAlpine

CONSTRUCTION OF a six-storey office block in Farnsby Street, Swindon, is the subject of a £2.3m contract awarded to Sir Robert McAlpine and Sons by Abacus Developments and Raglan Property Trust.

Work begins this month on the 66 metres by 21 metres on-plan structure, generally comprising reinforced concrete columns, hollow pot floors and a raft foundation, externally clad with facing bricks and ribbon windows.

IN BRIEF

● Edinburgh office of Wimpey Construction has been awarded a contract valued at just under £½m by West Lothian District Council for a sports centre to be built in the Craigswood area of Livingston New Town.

● THREE contracts awarded to J. F. Finnegan (part of Clugston Holdings) are worth a total of £1.5m. Two are for Leeds City Council and Amber Valley District Council for the construction of council houses. Other contract is for construction of a 20-bay ambulance depot with administration offices and welfare rooms for Trent Regional Health Authority at Middlewood Hospital.

● A two-day seminar aiming to give guidance on resisting contractors' claims is to be held at the Europa Hotel, London W.1 on March 26 and 27. Details from Investment and Property Studies, Norwich House, Norwich Street, London EC4A

● Church Army Housing Association has awarded a £441,000 contract to D. Wilson (Birmingham) for the conversion of a former vicarage at Cemetery Road, Lye, into four flats, guest room and warden's office. In addition, a three-storey block containing 24 bedsitters is being built for senior citizens, together with a block of 12 one-bedroom flats.

● Investigation into crane accidents, their causes and repair costs, is the subject of a paper by A. J. Butler. Copies free from the Distribution Unit, Building Research Establishment, Garston, Watford WD2 7JR.

● 1979 Concrete Year Book (a handbook, directory and catalogue of the industry in the UK) is now available at a cost of £7.00 from Publications Sales Unit, Cement and Concrete Association, Wexham Springs, Slough SL3 6PL.

● Tenders have not yet gone out for Sulzer Bros (UK)'s planned £15m factory, to be built 5 km from the present factory in Leeds. In the main, the project comprises a workshop, test stand, a six-storey administration block, and a canteen building.

● Work has started on an advance factory of 900 metres for the Department of Industry at Cornwall Street, Openshaw, Manchester, says the English Industrial Estates Corporation. Contract worth about £171,000 includes site development works and has been awarded to Pochin Contractors of Middlewich.

MOTOR CARS

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Why Japan's import mission to Britain may face its biggest problems back home

Selling to Japan: the hidden barrier

THE Japanese "group system," rather than any overt intention to keep out imports is increasingly being seen as the reason for Japan's failure to buy more from Western industrial countries. The existence of the system, according to Western diplomats stationed in Tokyo and European businessmen trying to get their products into the Japanese market, could explain why even ambitious Government-sponsored import promotion missions such as the one now visiting Britain seem unable to make much of a dent on the problem of Japan's trade imbalance.

Japan resembles most other advanced countries in possessing a watchdog organisation (the Fair Trade Commission) whose duty is to detect and suppress attempts at the formation of cartels. The FTC, however, failed to cut much ice with big business during the decades of ultra-rapid economic growth. Its voice has been heard more often in the recent past (for example Kirin Brewery, a member of the Mitsubishi industrial and commercial group, was warned not to expand its share of the Japanese beer market beyond 60 per cent).

But it looks as if the FTC may have spoken up too late to be able to alter the fundamental group-oriented business traditions which make life difficult for foreigners seeking entry to the Japanese market as well as Japanese newcomers who lack contacts in the right places.

"Group formation" in Japanese society begins on an individual and personal basis at school and in university where obligations are built up. It follows through into company life where "group allegiance" is fostered by the lifetime employment system in large companies.

Japan is also the land of trade associations and societies of every conceivable kind. Every company, large or small, has its affiliations to a whole variety of trade bodies which are usually well-financed and well-staffed. Much of the management of such bodies is usually on its "second career," which means that the men concerned may have retired from influential positions in companies belonging to the same industry. Few companies stay outside the associations which are active in their industries so that scope for "voluntary regulation" on an industry-wide basis can be considerable.

Framework

A peculiarly Japanese phenomenon are the large trade groups (Mitsubishi, Mitsui, Sumitomo etc.) of which some 10 leaders account for well over half of the nation's imports and exports. The household names which dominate foreign (and domestic) trade are also represented in banking, heavy industry and many other important sectors. They are tending to grow stronger—and more numerous; powerful new groups such as those centering on the Dai-ichi Kangyo and Sanwa Banks now compete with descendants of the pre-war Zaibatsus.

Both the old and the new trade- or banking-oriented groups represent an ideal framework within which to realise the natural Japanese tendency towards cohesion and consensus. Not only will all organisations within such a group have regard to each other's interests, but at the highest levels of co-operation each group will be able to provide a unified view and a spokesman. Decision making within groups may be slow and cumbrous but once a Japanese organisation of any kind arrives at the starting line it moves thereafter with frighteningly coordinated precision.

Nobody would suggest that the effect of all this is to make Japan into a mafia-like society, or that there is an Orwellian Big Brother dictating every move. What the existence of the groups does appear to mean is that the cold winds of competition are tempered by carefully built-up feelings of obligation among group members—sometimes to the very considerable detriment of outsiders.

The UK has a large and competitive components industry which exports in volume to many European and US motor manufacturers besides supplying much of its home market—but which has failed to sell significantly in Japan (despite a major government-backed sales effort over the past three years or so). Its failure, despite the baffling variety of excuses put up by the Japanese side, can be put down to the simple fact that Japanese motor vehicle assemblers, from Toyota downwards, are too closely linked to their traditional parts suppliers to be able to risk switching procurement elsewhere.

Toyota itself is believed to be involved in "group-type" relations with over 200 subcontractors. Many of these would, in UK terms, be deemed subsidiaries or associates of the parent Toyota Motor company but many more, while nominally independent, are in fact dependent on Toyota for guidance in technology, production engineering and, frequently, management skills. The circumstances are identical for every Japanese vehicle maker and the Japanese ethic requires that obligations operate in both directions.

Friction

While his local suppliers are loyal and obedient no Japanese vehicle manufacturer feels that he can afford to buy foreign—even if the price is more attractive and even if to do so might help to smooth out frictions in an overseas market.

What applies in the motor components industry applies also in the artificial fibres industry where hard-pressed Japanese manufacturers have been using their consensus-seeking machinery fiercely to resist imports. U.S. exporters have found cause to complain about the failure of their acrylic fibres to find a market among Japanese spinners even though they have a price advantage. From the UK, Courtaulds has had a similar problem with rayon acetate.

In consumer goods industries Japanese "groupism" manifests itself in the control many manufacturers exert over distribution (down to the retail level) and in the sheer size of some leading companies' market shares. If a manufacturer holds 60 to 70 per cent of the market for his product it is clear that every retailer will want access to the product and will expect to depend on it for a reasonably large proportion of his turnover. It follows from this that he will be susceptible to persuasion on the allocation of space to competing products and on the amount of time and effort devoted to pushing sales of goods made by smaller companies. None of this works to the advantage of the importer, any more than it helps small or newly arrived Japanese competitors.

Because group ties are strong, and perhaps even getting stronger, Japan is not yet a truly open and competitive market for foreign manufactured goods—no matter how strong the intellectual commitment of some business leaders and bureaucrats to make it so. This is not to say that things are no better today than they were, say, 10 years ago. What does seem to be implied is that Japan may have to "change its spots" in a very fundamental way before exporting to Japan becomes as easy for a British businessman as exporting to Britain is for Japan.

By a correspondent in Tokyo

French tragedy of the jobless young

BY JEAN SAINT-GEOURS

IN ALL the Western industrialised countries it has become increasingly difficult to place young people in jobs. In the OECD countries there are more than 7m unemployed aged less than 25, of whom over 2m are in the European Economic Community. Whereas young people only represent 17 per cent of the EEC's active population, they account for 40 per cent of total unemployment. However, this unemployment is only one aspect of a far more profound and general problem of reconciling workers with jobs.

The situation is particularly acute in France, where 600,000 young people join the job market every year; 14 per cent of those in the age range 16 to 25 are unemployed.

The slow-down in economic growth is not the only reason for this potentially explosive situation. The demand for labour has also been reduced by productivity improvements both in manufacturing, and to an even greater degree, in parts of the service sector—thanks in part to the microelectronics revolution.

Regulations designed to improve job security have also made the labour market far more rigid, by deterring companies from taking on new employees. One of the principal victims has been the young person seeking a first job, who now faces an unemployment rate five times higher than for other workers. The job prospects of young people have been further worsened by an attitude towards many of them which borders on fear. Since the upheavals of 1968 there has been systematic discrimination against those who are suspected of being lacking in motivation, irregular in their work, without respect for their superiors and even perhaps subversive.

In the service industries, the only growth sector, their place has been taken to a considerable extent by married women in their forties whose children have grown up.

However, an equally serious and fundamental problem concerning the employment of young people is the inadequacy of their education. Overall, general education and technical training have failed to keep pace with the constantly changing requirements of work in manufacturing and service industries.

Usable educational attainments are of lower quality than those in the past; training in particular skills pays too little attention to practical requirements. In many cases it is insufficiently specialised. Faced with the problem of recruitment, many personnel managers are driven to a despairing: "They don't know anything."

Many employers feel that the value of degrees and diplomas is exaggerated, and therefore oblige graduates to accept less skilled jobs than they expect and than their paper qualifications justify.

A survey* of graduates from university technical institutes showed last December that 93 per cent of the young people interviewed had found their studies interesting; however, 38 per cent felt that their job did not match up to their qualifications and 41 per cent wanted a change.

Probation

Although the unemployment rate is generally lower among better qualified people, graduate unemployment is nevertheless substantial and growing. It now takes five years to find jobs for an annual output of graduates; only 60 per cent are in employment six months after the end of their studies. Even those skilled workers who have a certificate of professional aptitude (CAP), and are taken on more readily than graduates from secondary or higher education, are now finding things more difficult. This is particularly true for women in the service sector. However, it also affects industrial workers whose first job is often of limited duration, perhaps in the form of a probationary period, and therefore lacks security.

Many young people manage to prolong their studies so as to give them more time for an extended job search or perhaps put off the evil day when they must face up to reality and the hard fact of unemployment. But this is often a mistake. Beyond a certain point, people become professional students and less and less able to carry out a proper job. Personnel departments are well aware of this. Although it is extremely difficult to specify, each individual seems to have a limit beyond which further training is counter-productive.

For this reason, the special measures to help young people introduced over the last three years have been designed both to facilitate employment and assist training which is related to the employers' needs.

The second "National Employment Pact" between the government and the employers' association covering the period from July 1978 to the end of 1979, includes the following measures:

Employers giving apprenticeships to young people between 16 and 20 are relieved of social security payments for one year. To qualify for this, the young person must be attached to an Apprentice Training Centre and also receive supplementary training by the employer.

For young people between 17 and 26, there can be a similar 50 per cent reduction in social security payments for employment-training contracts for a minimum duration, which can be between six and twelve months, according to the circumstances. The state also makes lump sum grants for the training that the employer has to carry out.

Under a third scheme, firms employing less than 500 workers which recruit young people between 18 and 26 and show an overall growth in employment can also obtain a 50 per cent reduction in social security payments for one year. Finally, the State is prepared to pay 75 per cent of the basic wage of young people carrying out four months on-the-job training schemes.

There is considerable argument as to the effects of these measures. The Government feels that they are appropriate in that they are geared to helping young people find jobs. But the unions have suggested that they simply give employers cheap labour with no job security. No one would deny that the schemes are little more than palliatives.

Horizon

From the strictly economic point of view, it is by no means clear that a renewal of sustained economic growth would lead to a substantial increase in employment. There is still potential for major productivity improvements in industry. The same is true of services such as banks, insurance, health, education; furthermore, the future growth of these activities is likely to be substantially lower than in the period from 1960 to 1975.

The basic problem is one of psychosociology. It concerns the relationship between young people and their jobs.

Over the last 30 years we have given broader cultural horizons to the maximum number of students; it might be more accurate to say that we have supplied them with a stock of aspirations that go much further than those of previous generations. But, in the last quarter of the 20th century it seems very unlikely that industrial society will be able to satisfy the aspirations of these new workers in terms of living standards, consumption, or leisure.

It is revealing to listen to the opinions of these newcomers, as revealed by a recent employers' association survey. While they accept the need to work, they expect this work to be interesting and to involve a degree of responsibility and independence. While they accept the need for a heirarchy within the firm, they are highly critical of the lack of any dialogue or consultation with their superiors; the latter are felt to be negative and hostile to any form of change.

Within the firm they wish to behave "naturally," but feel obliged to act out a part if they are to integrate into a system lacking in information and communication. It is worth repeating that nearly 40 per cent of graduates from university technical institutes were dissatisfied with their job.

Clearly, there will be an increase in the demand for specialists of all kinds, particularly through the introduction of sophisticated techniques; such specialists find job enrichment through their work. However, the numbers involved are very small. For the majority of employees, the bitter struggle to find a job will be followed by a growing gulf between the employee's hopes and the interest offered by his job.

Rapid change is, therefore, vital, both in adapting training systems to the realities of life, in developing new approaches to work—for example through greater flexibility, both in relatively simple aspects like working hours, and complex ones such as careers—and in the introduction of new patterns of communication and command. The alternative is likely to be the unleashing of destructive forces on the tragic pattern of the Italian Red Brigades.

Jean Saint-Geours is President of the Metra Group of consulting companies.

**Prepared by the Federation Nationale des Diplomes Universitaires de Technologie (FNDUT), BP 257, 51059 Reims Cedex, France on the occasion of its 10th anniversary.*

هكذا من الأصل

We're sorry to keep you waiting for our comeback

It is three months since our newspapers were suspended; long enough to forget what this dispute is all about.

Last April, we said that unless we could reach agreement with our Unions by 30th November we would suspend publication. We put proposals to Union Leaders, and to the staff through their Union representatives, which will ensure better conditions for everyone, and regular delivery of the newspapers to our readers.

At the time, many Union leaders welcomed these proposals, because they would bring sanity to the industry, and would strengthen, not weaken, Trade Unions.

We suspended publishing because, in the end, we had to. Throughout 1977 we had lost 7 million copies of our papers. In just the first quarter of 1978, we lost nearly 8 million copies and at 30th November over 13 million copies. In every case, the losses were caused by unofficial strikes and restrictions. If existing disputes procedures had been observed our readers and advertisers would not have lost a single copy.

What are our proposals?

1. We want to set up a system, that will be honoured by everyone, for resolving disputes – before, not after, copies are lost or disrupted, and the newspapers suffer yet another setback. Nobody pretends this is always easy; but we think our proposals are fair and reasonable, as well as being in everyone's long-term interests.

2. We want to replace old machinery and equipment, and to phase in gradually some of the 'new' technology that many papers elsewhere in the world have been using effectively for the last ten years. The craft Unions (understandably enough) have been worried about its impact on their members' jobs; so we've made proposals to meet this very real problem.

3. It's no secret that British newspapers are heavily over-manned in some departments. We want to reduce this over-manning; and again, our proposals include a deal that will make this possible without hardship to anyone.

What are the benefits?

1. To our staff:

Higher pay for the vast majority
Six weeks holiday for everyone
Much better pensions for everyone
Better sick pay

These are the immediate benefits. But in addition the new technology will give many staff new and higher skills; in some areas it will create cleaner, quieter working conditions. The proposals as a whole will give the staff greater security, because they will be part of a more efficient, thriving and profitable company. The uncertainty of the last few years will be a thing of the past.

2. To our customers:

Regular delivery of the newspapers
Higher quality
Better value for money

We are proud of our newspapers. But the struggle for their survival has been hard. It took us ten years to get The Times to a break-even point. We cannot be proud of our service to our customers: trying to produce our papers on antique equipment, over-manned and beset by continuous unofficial disputes and restrictive practices, cannot be in the interest of readers or advertisers.

3. To the Company:

Survival
A stable economic base for expansion and development

Fleet Street and the New Technology

Some other newspaper publications have reached agreement with the NGA on the 'New Technology'. These agreements cede total jurisdiction over its application to the NGA.

However, the type of applications agreed upon have little or no relevance to the ultimate needs of our own newspapers with their high volume of text and heavy type-setting load.

Our needs are different.

Will anyone suffer?

No. NO ONE WHO DOES NOT WANT TO LEAVE HAS TO LEAVE. For those who want to leave, redundancy is totally voluntary, and THE TERMS OFFERED ARE SAID TO BE THE MOST GENEROUS PROPOSED IN BRITISH INDUSTRY.

Those affected by technological change will be offered full retraining.

"We are totally dedicated to the continued ownership and publication of The Times, Sunday Times, The Supplements and their related publishing interests. None of the properties or assets of Times Newspapers are for sale, either to companies or individuals or to any other agency or institution."

Statement from Mr. Gordon Brunton, Chief Executive of Thomson British Holdings Ltd. 20th February 1979.

So why haven't the proposals been accepted?

They *have* been accepted by many of the staff. From the outset many Union officials have been willing to negotiate constructively. They have found that everything in our proposals is negotiable, and the Company has been flexible on every point at issue.

We have reached agreement with 20 groups, representing some 40% of our permanent staff, covering sections of almost every Union.

Times & Supplements Journalists	NUJ
Sunday Times Journalists	NUJ
Engineers	AUEW
Circulation Representatives	SOGAT
Printing Machine Branch	SOGAT
Carpenters and Allied Trades	UCATT
12 of 14 sections of RIRMA	NATSOPA
Electricians (at national and area level)	EEPTU

We are still having progressive discussions with other groups. But not with all of them.

We still hope the NGA will talk to us. The jobs of their members in Times Newspapers are guaranteed, unless they wish to volunteer to leave with generous severance pay. Many of their members are very keen to adopt the new technology. We can negotiate the details of the application of that technology.

It is only by agreement, by reasonable men talking together, that a fair settlement can be reached.

We shall continue to try, and will ultimately succeed in reaching agreement with all staff and with all Unions. After all, we are offering HIGHER PAY for HIGHER PRODUCTIVITY to staff that are already, in most cases, among the highest paid in Britain. And everyone's job is guaranteed.

One thing is certain. We will not go back to the industrial anarchy that existed before we suspended our newspapers. We cannot agree that this country should alone be prevented from making full use of available technology and machinery.

We shall be back — but not at any price.

TIMES NEWSPAPERS LIMITED

THE TIMES, THE SUNDAY TIMES, THE TIMES EDUCATIONAL SUPPLEMENT, THE TIMES HIGHER EDUCATION SUPPLEMENT, THE TIMES LITERARY SUPPLEMENT

LOMBARD

The big German money illusion

BY SAMUEL BRITTAN

"WHY HAS Germany been able to get away with a 20 per cent increase in the money supply without an inflationary explosion? Please explain." Minutes along these lines from the British Chancellor, Mr. Denis Healey, have been flying down Treasury corridors with great frequency. Eventually, Mr. Healey could no longer contain himself and raised the matter in an exchange with Mr. Enoch Powell, who promptly put down a Parliamentary Question.

The results should lead to a dropping of this particular debating point. First there is no 20 per cent German monetary explosion. This particular scare only arises if one takes a short period change, and expresses it at annual rate—just the thing that Mr. Healey, like his fellow Finance Ministers, is always and correctly telling journalists not to do. In the year to November, 1978, the German money supply broadly defined rose by just over 14 per cent or about 1 per cent faster than the British equivalent.

Even this was an aberration due to the backlash of dollar purchases insisted upon by the German Federal Chancellor. In 1977 the German money supply on the same definition rose by only 9½ per cent; and this January the Bundesbank changed course and increased reserve requirements to tighten monetary control.

Moreover, it is necessary to look at more than one definition. The one labelled "M3" in the UK, and "M2" in other countries, so favoured by the UK Treasury, is the one most flattering to British performance. On the narrow "M1" definition the UK had a far faster monetary growth than Germany in 1977 and a somewhat faster growth even in 1978.

Even more sensational statements are sometimes made about Switzerland based on short-term movements. But on the broad definition Switzerland had slower monetary growth than both Britain and Germany in both years. On the narrower definition it had very slow growth indeed in 1977, made up for by a spurt in 1978. Moreover the Swiss franc has a small domestic base, relative to overseas demand for the franc. The Swiss authorities may well find it hard to exclude non-resident balances altogether from their computations, as is normal in money supply measurement.

The German and Swiss monetary expansion of last year will probably affect inflation adversely after a lag; but not by as much as would happen with similar figures in the U.S. or the UK.

The important point, however, as the Citibank February Economic Newsletter stresses, is that "inflationary expectations are revised slowly, especially if they are well entrenched." But once these changes occur they can have a large and quick effect on exchange rates as happened in the case of the U.S. dollar.

The practical upshot is that the Germans have time to put their monetary course back on path, during which time velocity can and does fall. In similar circumstances, the Americans and the British would not be given the benefit of the doubt by the financial markets, and exchange rates and inflation rates would deteriorate much more quickly.

Nor is this all. The trend rate of monetary growth consistent with stable prices is much higher in Germany and Japan than in the U.S. or Britain (France and Italy come somewhere in between). This is partly a matter of higher real growth and partly a matter of different institutional forces. But a large and sustained monetary acceleration will still produce rapid inflation even in Germany and Switzerland. And a sustained monetary clampdown will stop inflation — eventually—even in English-speaking countries. At this level of argument inflation is a "mono-causal" phenomenon, like it or not.

% INCREASES IN MONEY SUPPLY

November 1976 - November 1977				
United Kingdom*	M1	20.8	£M3	7.1
West Germany	M1	10.5	M2	9.5
Switzerland	M1	5.5	M2	7.0
November 1977 - November 1978				
United Kingdom*	M1	14.1	£M3	13.4
West Germany	M1	12.7	M2	14.3
Switzerland	M1	23.5	M2	8.1

* Banking months.
M2 is the nearest equivalent aggregate to Sterling M3 in Switzerland and West Germany.

Source: Hansard, February 23

The conflicting claims of justice and law

THE WEEK IN THE COURTS

BY JUSTINIAN

IN A SINGLE DAY this week the House of Lords is handing down three separate decisions affecting materially the law relating to housing. Rarely can the Law Lords have been so concentratedly involved with one of the basic needs of the citizen, a roof over his head at a price that can be afforded.

It is an oddity of Parliamentary history in the field of social legislation that throughout the period of the Rent Acts, lasting now over 60 years, no express provisions have been made in hose Acts relating to the rights of joint landlords and joint tenants; hence the case of *Tilling v. Whiteman*, that has reached the highest court in the land from its humble beginnings in Canterbury County Court.

The simple question that provoked judicial disagreement as to the answer was whether one of two joint owners of a dwelling house, who occupied it as her residence before letting it, was entitled to recover possession when she desired to re-acquire it for her own residence. By a majority, the Court of Appeal upheld the County Court judge in stating that there was no right of recovery from a protected tenant of a house in joint ownership, where only one of the joint owners wished to reside there.

Two elderly ladies had lived in their own house in Canterbury. After one of them left to live in Oxford, the remaining one let the house for two years to a lecturer at the University of Kent. On the expiry of the two-year lease, the lecturer stayed on, and so the two old ladies started proceedings to recover the premises so that the one could go back into residence. The relevant provision in the legislation is exclusively single-minded; it has dealt only with the owner-occupier.

The law provides that "where a person who occupied the dwelling house as his residence let it on a regulated tenancy . . . and the court is satisfied that the dwelling house is required as a residence for the owner-occupier," an order for possession against the protected tenant may be made.

The house at Canterbury was let by the two ladies as joint owners. Since the Interpretation Act 1889 allows a court to construe "person" as plural, and since both ladies had previous to the tenancy resided there, so far so good. But the two ladies then had to ask the judge to put a different singular construction on the words, "owner-occupier," that appeared in the latter part of the provision.

The majority of the Court of Appeal held that the "owner-occupier" who qualified under the provision was not the one lady who had stayed on before the tenancy and now wanted to get back into possession, but the two joint owners.

Lord Justice Eveleigh ingeniously argued that the language of the legislation did envisage giving rights to one of two or more joint owners. The fact that Parliament had not used that terminology was explicable because there are other forms of shared interests in real property that might also be envisaged, and a specific reference to joint owners might be unduly limiting. Since the other two judges, in disagreeing, felt bound to follow a 1948 decision of the Court on the slightly different wording in the 1933 Rent Act, the House of Lords may find it easier to do justice to the one landlady who wishes to return

Justice too may be done (as the majority of the Court of Appeal did it) to about 350 tenants in Manchester caught up in the political crossfire between the Labour and Conservative factions on the Manchester City Council. In *Gibson v. Manchester City Council* the plaintiff was the tenant and occupier of a council house owned by the corporation by whom he had been employed for 16 years. In 1970 the corporation had declared its policy of offering its council houses for sale on favourable terms to sitting tenants. Mr. Gibson, who had always been keen to buy his house completed the necessary forms with an administration fee of £3. In early 1971 the city treasurer wrote saying that the corporation was prepared to sell at a stated figure.

The tenant was requested to complete the form. This he did incompletely; he left the purchase price blank and returned it with a covering letter asking for consideration to be given to defects in the pathway up to the house. The corporation wrote back saying that the price had been fixed according to the condition of the property. The tenant replied asking the corporation to "carry on with the purchase as per my application."

The corporation duly took the house off the list of tenant-occupied houses for whose maintenance it was responsible, and Mr. Gibson went ahead and did work to the house.

In May, 1971, the corporation, under its new political management, resolved not to sell its houses to tenants except where legally binding contracts had been concluded. In August, Mr. Gibson heard that the sale of the house would not be proceeding. The judge at Manchester County Court duly ordered the corporation to perform its contract of sale. In the Court of Appeal, Lord Denning and Lord Justice Ormrod said that, viewing the correspondence as a whole, the circumstances of the negotiations and the conduct of the parties, there had been a concluded contract for the sale of the house which the tenant was entitled to have specifically performed on the term of the usual agreement for the sale of a council house by the corporation to the tenant.

Lord Justice Geoffrey Lane, while expressing great sympathy for all 350 tenants affected by the reversal of policy by the local authority, thought that no legally binding contract had been reached:

In the third case the question was whether the sellers of a property could claim damages from their purchasers when the latter had failed to perform their part of the contract. In November, 1973, when they were in arrears with the repayment of mortgages on their properties, the vendors entered into a written agreement for their sale. The price agreed to be paid by the purchaser under the agreement was in excess of the sums required to discharge the mortgages and a loan raised by the vendors to enable them to buy another property.

The purchaser failed to complete, and in November, 1974, they obtained an order for specific performance. In July 1975, the order for specific performance not having been carried out, the mortgagees of the properties enforced their securities by selling the properties. The proceeds realised by the mortgagees were insufficient to discharge the mortgages in full. The vendors then turned to their original purchaser for payment of the balance of the purchase price, credit being given for sums realised by the mortgagees' sales.

The Court of Appeal held that since the vendors could no longer perform their obligations under the contract (since they no longer owned the properties after the mortgagees' sales) it would be wrong to compel the purchaser to pay the balance of the purchase price. But the Court went on to hold that, where an order for specific performance was no longer effective, damages in lieu could be awarded. The Court did so on the ground that it was due to the purchaser's inexcusable default in the first place which had led to the foreclosure of the properties and the resulting loss to the vendors.

1 [1978] 3 W.L.R. 137
2 [1978] 1 W.L.R. 520
3 Johnson v. Agnew [1978] 2 W.L.R. 806

RACING BY DOMINIC WIGAN

National favourite Alverton may go for Gold Cup only

BOOKMAKERS WHO reacted to Alverton's Greenall Whitley Chase success at Haydock on Saturday by installing Peter Easterby's charge as clear favourite for the Grand National could well be looking to the wrong race.

My guess is that connections will first take the Midsummer Night II gelding to Cheltenham for the Gold Cup and only then, according to the outcome, decide whether a trip to Aintree is worth considering.

One man who would clearly favour going for the Piper Gold Cup rather than the Colt National, should it be decided that two major tests within the space of 16 days is too much to ask of Alverton, is Jonjo O'Neill.

Commenting on his mount's 12-length victory over Rambling Artiste, the champion said: "He will have to jump much better than that to get round Liverpool. He was a bit sticky at times, but everything was all right at the finish."

Alverton has always struck me as a possible Gold Cup winner, given normal improvement and a season such as this, with the likes of Midnight Court and Grand Canyon out of the reckoning, and I shall be extremely disappointed if we do not see him on March 15.

Alverton is still available at 33-1 for Cheltenham's centrepiece, and may well represent each-way value.

News of the 5-2 favourite for that race, Gay Spartan, is that Tony Dickinson's King George VI winner is to be worked at Haydock this morning before travelling down to the Cotswolds, without the benefit of another outing in public.

Dickinson, who considered the ground at Hereford on Saturday too firm to risk Gay Spartan in a £1,300 event which was at the chaser's mercy, must now be looking forward to the festival with considerable hope. For in addition to Gay Spartan he will be saddling Silver Buck in the Sun Alliance Chase, and the prospect of defeat for that seven-year-old seems remote following his Embassy Chase triumph over Night Nurse.

At Leicester today another Cheltenham candidate bids to underline his prospects—Spartan Missile, John Thorne's brilliant hunter-chaser, who goes for the Foxhunters (sponsored by Christie's) on Gold Cup day, shoulders 12 st 8 lbs in the Squire Osbaldeston Hunters Chase.

The seven-year-old, unbeaten in two races this season, should have no difficulty in defeating his ten opponents.

LEICESTER

1.45—Sparaway
2.15—Remigio***
2.45—Spartan Missile**
3.15—Feud
3.45—Stormbound*
4.15—Madge Spartan

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.15 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Barnaby. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 It's the Wolf. 4.25 Jackanory. 4.40 Baggy Pants and the Nitwits. 5.00 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.50 A Question of Sport.
7.20 The Rockford Files.
8.10 Panorama: Karen Silkwood—Deceased.
9.00 News.
9.25 The Monday Film: "The Prime of Miss Jean Brodie," starring Maggie Smith.
11.15 Tonight.
11.53 Weather/Regional News.

All Regions as BBC 1 except at the following times:

Scotland—10.00-10.20 am For Schools. 5.55-6.20 pm Reporting Scotland. 11.55 News and Weather for Scotland.

Wales—1.45-2.00 pm Pila Pala. 2.18-2.38 For Schools. 4.40 Crystal Tipps and Alistair (Cartoon). 4.45-5.00 Y Trem Sgrech. 5.55-6.20 Wales Today. 6.50-7.20 Heddiw. 11.55 News and Weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. ... Hello Sunshine. 11.55 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

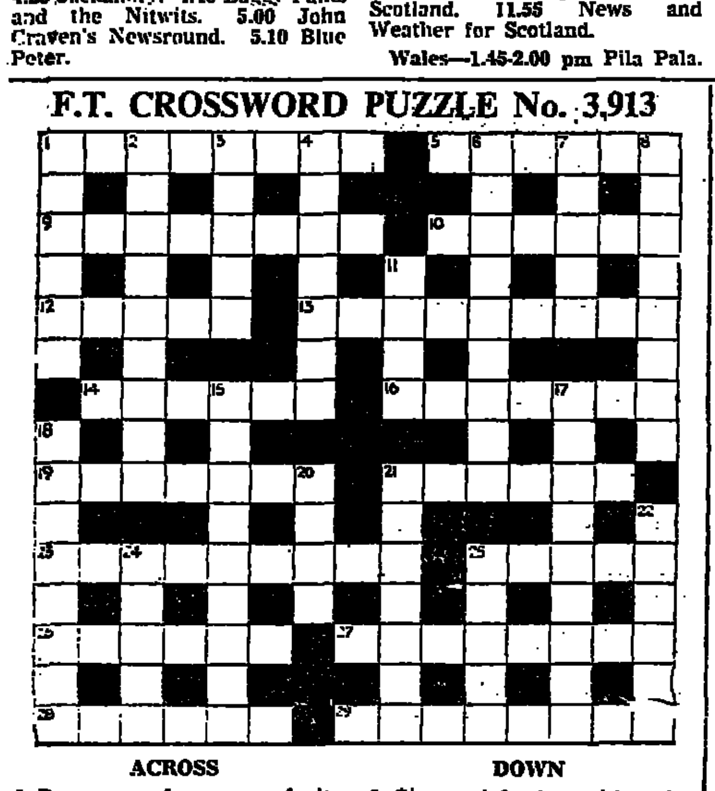
6.40-7.55 am Open University.
10.30 Working With Young People.
11.00 Play School.
2.15 pm Let's Go.
2.30 Shakespeare in Perspective.
3.00 That's the Way the Money Goes.
3.30 Delia Smith's Cookery Course.
4.00 The Education Debate.
4.50 Open University.
6.53 The Water Margin.
7.35 Mid-Evening News.
7.45 In the Post.
8.10 Lennie and Jerry.
9.00 Fawlty Towers.
9.30 Horizon.
10.20 Arena.
11.00 The Light of Experience.
11.15 Late News.
11.30 Tele-journal.

LONDON

9.30 am Schools Programmes. 12.00 The Wotsit from Whizzbang. 12.10 pm Pipkins. 12.30 The Cedar Tree. 1.00 News plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon Plus. 3.20 Raffles. 4.20 Clapperboard. 4.45 Horse in the House. 5.15 Batman.
5.45 News.
6.00 Thames at 6.
6.35 Crossroads.
7.00 The Kenny Everett Video Show.
7.30 Coronation Street.
8.00 A Sharp Intake of Breath.
8.30 World In Action.
9.00 Danger UXB.
10.00 News.
10.30 The Eamonn Andrews Show.
11.30 Thames Debate: "What Is A Tory?"
12.15 am Close: A look at Westminster Abbey with music by Vaughan Williams.

All IBA Regions as London except at the following times:

F.T. CROSSWORD PUZZLE No. 3,913



ACROSS

1 Repartee from a fruit-grower (4-4)
5 Is earth a refuge for pedestrians? (6)
9 See among ancient Jews the most important qualities (8)
10 An explosive statement (6)
12 You have a good time on the river (5)
13 Trial marriage may be contested down under (4,5)
14 No stoppage at soccer but if a batsman should do it, he is out (4,3)
16 The late reformation of a runner (7)
19 The bird starts to fight and ends in a quarrel (7)
21 "There met him ten men that were — " (N.T.) (6)
23 Back-breaking limit of endurance (4,5)
25 Caveat emptor is a warning to him (5)
26 Muse of Comedy (6)
27 Wrong river for a slow mover (8)
28 Rushes for the longer elements of code (6)
29 Meant for the fiancée (8)

DOWN

1 Give satisfaction with quiet tenure (6)
2 This country has nearly everything in another (9)
3 Strained Poles in the driving area (5)
4 Always has weight in the First Division (7)
6 The SS appears at length (9)
7 In a measure actively engaged (5)
8 Somehow tend much to be found in Holland (8)
11 The Titans' stepping-stone to Olympus (4)
15 County accompaniment for the Beef-eater (9)
17 The lark possibly that gets 20 (5,4)
18 Intelligence Department includes three successive notes in detachment (8)
20 See 17
21 Base information (3-4)
22 Intimate acquaintance has a day to finish (6)
24 The sailor abroad takes the lead (5)
25 Graduate takes the dip (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

ENTERTAINMENT GUIDE

FINANCIAL TIMES SURVEY

Monday March 5 1979

Insurance Broking

All sectors of the insurance industry are experiencing pressures which oblige them to adjust their attitudes and operations in order to maintain progress. Nowhere are these pressures more evident than in the insurance broking community, as this survey of its worldwide involvement demonstrates.

Change sets the tempo

By Eric Short

THE UK insurance broking industry is undergoing considerable changes in its methods of operation. After going about its business for centuries without any supervision or control from central authority, it is facing control by registration. Brokers are, for the first time, going to have to operate under a set of rules laid down by statute rather than by a professional body.

At the other end of the spectrum, the major UK brokers, after decades of dominating the world insurance markets, are now in the process of linking up with their U.S. counterparts in order to maintain their position. Cost pressures are hitting all sectors of the industry, but the medium-sized broker seems to have the biggest problems in coping with such pressures.

Insurance is becoming more complex in its operations on all types of risk. It is the era of the complex jumbo size cover requirement that needs a specialist intermediary to handle. At the consumer end, the modern life and household insurance scene has become somewhat confused for the layman. Again the services of a specialist intermediary are becoming necessary if the consumer is to get the right insurance.

The insurance broker has a vital role to play in providing this specialist intermediary service, primarily because he is independent of the insurer. The agent of an insurance company can and does do an adequate job in arranging insurances for all types of consumer — both individual and corporate. But the large risks have to be spread around the world under current market conditions, with reinsurance a vital element in placing that risk. The broker is much better placed to arange all this. Above all, he can represent his clients' interests in dealing with claims.

This is an ideal situation and though many brokers have endeavoured to act independently and on behalf of their clients, this is not a perfect world. Some brokers have not put clients first nor have they maintained independence from insurers, especially where the public are concerned. Hence the demand for control by central authority on the insurance broking industry. This is the age of consumer protection.

The brokers were, however, given the opportunity of playing a leading part in this control—a role which most of them accepted with alacrity and enthusiasm. The system of control was formalised with the passing of the Insruance Brokers (Registration) Act 1977, which sets out the framework of control. The brokers save a majority of membership on the various councils which will administer the Act, this giving self-regulation to the industry, but under the watchful eye of the Secretary of State for Trade.

Under the Act, all persons wishing to trade as insurance brokers have to register. To do this, they must demonstrate that they have sufficient experience, competence, honesty and integrity. A firm trading as insurance brokers, whatever its size, has to show financial stability and conform to normal business discipline.

Not only is this system of control designed to stop the slick operator out to make a killing at the expense of the public. It is also intended to stop the individual who, although honest, is operating on a shoestring and thus for financial reasons is unable to give a complete service to the client. For example, he would be under pressure to research the life market thoroughly.

It must be emphasised that no one will be barred from selling insurance once this Act becomes fully operative. But unless they are registered, they will not be allowed to trade under the title of insurance broker or similar name. There is nothing in the Act to stop the individual using a different name and already there is an active Institute of Insurance Consultants established by insurance intermediaries who do not wish to be bound by the provisions of the Act. Incidentally, the title of insurance consultant conveys a much better image to the public than insurance broker.

Only time will tell whether this system of self-regulation will work. It will only work successfully if the Registration Council which administers the Act is prepared to act in the public interest over proven complaints from the public. If the system is not seen to be working, then the Government has no alternative but to establish its own official regulatory system of licensing brokers, with the likelihood that such a system would be rigid and lacking in flexibility.

But the major UK insurance brokers, to whom registration is a minor administration task, have much more pressing problems on their desk at present. The tie-ups that are taking place between them and U.S. brokers point to a shake-up in their present methods of operation and more interesting developments for their future.

This saga starts with the success achieved by the major brokers in the years 1975-77 because of the lack of capacity in the North American insurance market. Much North American business came to London and thence to other world insurance centres and these broking firms did well. The US brokers had just about reached maximum size in their own country and the only way to expand was overseas.

The result of these factors was that the U.S. brokers began sizing up the takeover opportunities of the UK brokers. Since then the talks have been on methods of link-up which will satisfy the requirements of the Committee of Lloyd's. The exact form of the link-up is still not determined but presumably it will be some form of pooling arrangement either on the Unilever or the Royal Dutch-Shell pattern.

But there is going to be a period of uncertainty while the new arrangements are sorted out. Already the UK brokers are seeing some large accounts moved round in accordance with the new loyalties. But it could be several years before the dust settles and the benefits of the link-ups emerge. But there could well be some stimulus to further expansion by this development, especially in the North American market.

All sections of the insurance broking industry have been hit by cost pressures on the operations. The large multinational broker has been able to absorb these costs from the good years of 1975-77 and should stand to benefit once the world economy starts to move ahead again.

The very small broker operating on a man-and-boy principle (the boy is often his wife) can manage to get by with expanding the existing account and working that much harder. But the medium-sized broking firm operating mainly in the UK but with some overseas operations has problems.

The insurance market in the UK remains static with the economy. The broker needs enough staff to service his existing business at an adequate level. There are too many competitors ready to take over his clients. The growth of technology means that insurance risks, even for local factories, become more complex and need expert attention. Possibly one solution to this problem is local mergers of broking firms.

One particular factor affecting the small and medium broker is the recent development in the life and pensions field. The growth of linked life business now makes life assurance an important tool in tax planning. Life assurance is now becoming the province of the planner and little broking expertise as such is needed. The broker has to rely more and more on the expertise back-up provided by the life companies — not very conducive to demonstrating independence.

Pensions have now become the most efficient fringe benefit for company executives. The small provincial broker is not necessarily equipped to deal with this side of the business, yet is reluctant to call in a larger more experienced broker.

Fortunately, the British Insurance Brokers' Association is very much aware of these problems and endeavouring to do something about them. This body, formed from the four previous associations which represented brokers, sees its educational role as one of its more important functions. Its activities are described in detail elsewhere. But it is aiming to ensure that its members have the necessary access to changes in legislation, product design and other matters to keep its members reasonably abreast of developments without employing a large research staff.

UK brokers have always played a leading part in the harmonisation of insurance services within the EEC. Now after years of considerable effort, their hard work is beginning to produce results. The leading brokers were always very enthusiastic about the Common Market and have always considered that there was enormous scope for brokers. Their ideal has always been for their members to operate freely within Europe.

Regulatory framework emerging

THE PROCEDURES for putting the insurance broking profession on a self-regulating basis grind slowly on. Now, nearly two years after the Insurance Brokers (Registration) Act 1977 became law, the framework of the supervisory control and the requirements of the profession are emerging. Considering the important issues involved, it perhaps has been wise that the council has made haste slowly.

For too long, the insurance broking profession has suffered from a lack of supervision. Anyone could set up as a broker with no check on his qualifications, expertise, financial standing and, above all, his integrity. The attempts to present brokers as the independent professional insurance intermediaries never rang fully true while this situation persisted.

The Act, once it becomes fully operative, will change all this. No one will be allowed to call themselves an insurance broker unless they have registered as such. And to achieve registration, the person concerned will have to have attained proper standards of education and experience, conform to financial disciplines, and operate under a stringent code of conduct.

The aim of this move is to protect the public in their dealings with firms trading as insurance brokers. People need to know that they can rely on the broker being competent, honest, independent of an insurer, financially stable and able to met the financial consequences of any mistakes or errors. The Act and its accompanying regulations try to achieve just this.

The Act formulates the establishment of an Insurance Brokers Registration Council to administer the procedures of registration. It consists of 17 members of whom 12 are appointed by insurance brokers and five by the Secretary of State for Trade. This conforms to the objective of the Act that the profession should regulate itself, but the DoT is keeping a watching brief.

To ensure that brokers are competent, they have to have either five years' practical experience or three years' experience and the appropriate examination qualification. The definition of practical experience is fairly widespread, including allowance for insurance company sales training and direct sales experience, besides work in an insurance broking operation. The examination qualification is at least the Associate level of the Chartered Insurance Institute examinations—the only universal insurance examinations in the UK.

This requirement is not onerous—it stops the salesman from other fields trying his hand at selling insurance. It allows that one does not have to be a university graduate to sell insurance: there is no substitute for experience in this field of broking.

Detail

The financial requirements for running an insurance broking operation have not yet been published. This is possibly the most difficult regulation to draw up and obviously the accountancy, banking and insurance broking bodies have to be consulted on detail. The aim is to ensure financial discipline in the running of the business to ensure that there is an adequate capital base and that the operations are profitable. In the past, some brokers have used clients' money as working capital, a practice fraught with danger. Other professions insist that a separate account has to be maintained for clients' money.

It is not anticipated that the financial provisions will be too onerous or stringent. But no longer will brokers be able to run on a shoestring, tempted to sell contracts that will bring them the highest commission rather than what is best for their client.

But what happens if the broker makes a mistake that results in financial loss to his client? In law, he is liable to be sued for professional negligence and the Act insists that he should be able to meet the cost of any damages awards by means of professional indemnity insurance. The regulations on this point are still awaited but the expected amount of insurance is three times the annual brokerage with a minimum of £250,000. This minimum figure should apply to most small broking operations.

This requirement has caused some anxiety among the smaller firms of brokers which have never belonged to any professional broking body and therefore have never had to carry professional indemnity insurance.

The cost of this cover is likely to put his operating expenses under strain. Research in the market shows that the minimum cost would be £850 a year, which may not sound much but some small broking firms operate on very slim margins while building up their business and such additional costs may be unbearable. Such brokers state that they do not make mistakes and if they do then they are prepared to face the consequences.

This argument sounds plausible until one considers what is happening to the client let down. No professional ought to be allowed to function unless he can fully cover the consequences of any mistake.

This requirement is likely to cause the Registration Council considerable problems. An insurance broker who specialises in the field of professional indemnity states that in his experience it is extremely difficult to get such small brokers to keep up their premiums and only the threat of legal action will make them pay.

Damages

But it is salutory to recall that the largest professional indemnity claim in insurance broking was against a man operating as a sole trader and damages exceeding £100,000 were awarded. It is perhaps significant that most claims arise over motor insurance, a tricky area for even the experienced.

As a safety net for the consumer in the event of a broker running into financial trouble, the Act provides for a rescue fund to be financed by a levy on all registered brokers. The council has the power to raise at least £1m in any one year.

Finally, how does the Act ensure that a broker is honest and independent? It does this by means of a code of conduct which the broker agrees to abide by. It is rather like the Mosaic Code with three main commandments, 19 subsidiary ones and an open-ended liability, since the legislators found that it is impossible to codify integrity.

A full discussion of the code would need a separate article. But essentially, the broker has to be honest and impartial in his advice, putting the client's interests first and foremost. He is not to make any misleading statements or claims in his advertisements. And he has to disclose what commission he is receiving on an insurance contract if the client asks him. He must demonstrate that he is not tied to any one insurer.

This last point will need careful investigation by the council. Some insurance companies, particularly life companies, have gone out of their way to secure business by offering inducements that would tie a broker to them. One method is by providing accommodation at cheap rents plus stationery and secretarial facilities—a boon for the small broker. But a broker should be seen to be independent at all times and the council needs to ensure that this is being done.

Sanction

The only real deterrent against unprofessional conduct is disciplinary measures if a complaint is proven and the Act sets out the procedures for investigating complaints and taking disciplinary action. There is, first, a committee to handle complaints, and then another to see if the complaint is justified and unprofessional conduct proved. This second committee has the power to discipline the broker, including the ultimate sanction of withdrawal of registration. This under the terms of the Act means the person involved cannot continue trading under the title of insurance broker.

The majority of each committee is composed of brokers, so one may feel that the consumer will not get a fair hearing. But on the other hand, in complicated cases a specialised knowledge of broking is essential to understand whether another broker has acted unprofessionally. We will be able to tell whether the system works only when it is seen in action.

The actual registration will be in two parts: an individual register to which individuals may apply whether or not they are actively engaged in broking, and a second list for people, partnerships or firms actively trading. A firm may register only if the majority of the board are registered as individuals and a partnership only if all partners are registered.

The individual register was opened in November and already about 2,000 people have applied for registration, of which between 1,100 and 1,200 have been accepted. The fee for individual registration is £25 initially and then £15 a year. The trading register will be opened as soon as the necessary regulations have been published. Lloyd's brokers are at present exempt from the financial provisions of the Act, because of the strict requirements of the Committee of Lloyds.

Eric Short

Pensions field has much to offer

DESPITE STAGGERING sales growth in the last few years, pensions have nowhere near realised their full potential as a money-spinner for insurance brokers.

Self-employed pensions, for most brokers the area of the pensions field they have had greatest experience with, were neglected until recently because low commission made them unprofitable to sell. Top hat pensions were scarcely heard of before a change in the law in 1973 made it possible for pensions for controlling directors to be funded on the same basis as those of ordinary employees. The changes needed in company pension schemes to allow employers to contract out of the State's new earnings-related pension arrangements created a flurry of activity for bigger brokers in the years leading up to April 1978 — but even here the task is far from completed.

In a generally buoyant year for most life companies in 1978, self-employed pensions were among the fastest sellers. New annual premiums soared by 39 per cent to a record £83.6m and single premiums were up 22 per cent at £66m.

Yet a recent analysis indicates that brokers have barely scratched the surface. The analysis, for 1977 (the last year for which we have complete figures), showed that the pension contributions of Britain's 1m self-employed represented only a quarter of the maximum they could have contributed under the tax rules.

Their contributions came to £198m; that compares with the Inland Revenue's estimate of their total earnings of about £5.5bn, of which 15 per cent—£825m—could have been contributed to a pension plan.

The case for the self-employed channelling as much as possible of their savings into pension arrangements is overwhelming. Not only are contributions up to the 15 per cent limit allowable in full as a deduction from taxable income but the money is invested in a fund that builds up almost completely free of tax. At the end about a quarter of the cash accumulated for the saver can be taken as a tax-free sum (the exact proportion depends on his age at retirement); the rest comes as an income on which no investment surcharge is levied.

Rival

It adds up to a package that easily beats most alternative forms of saving — including endowment policies, which are probably the nearest rival.

One of the problems of selling pension plans is that the variety that best suits many savers — single premium plans — are a poor commission earner. Many self-employed people are rightly reluctant to contribute towards a regular premium pension plan because not only do they not know for sure that they will be self-employed all their lives but they do not know whether they will be able to keep up the premiums each year.

The initial commission on a regular premium plan represents half the yearly premiums and it is paid over the first two years; that compares with commission of only 3 per cent of each premium in the case of a single premium plan. The size of the front-end loading on annual premium plans means that the penalty for early drop-outs is usually very large and their eventual benefits may be much lower than they could expect from the same money invested in a single premium arrangement.

Sales of top hat pension arrangements are now a mainstay of many insurance brokers' business. Towry Law, one of the leaders in the field, reckons that they now account for 15 per cent of its individual business compared to 5 per cent a few years ago.

The case for providing executives with special arrangements is that a good pension is by far the most tax-efficient fringe benefit for high earners. The point is that Inland Revenue rules remain extremely generous on pensions: they allow employers to buy up to two-thirds pensions for people with as little as ten years' service before retirement. Normally anyone with only ten years' service would be in line for only a one-sixth pension even in a good scheme so the scope for an employer to spend money improving the pensions of key people is in many cases vast.

Advice

Even where an executive is already in line for a two-thirds pension, employers have considerable scope for improvements—by, for instance, funding to give regular increases in retirement to maintain the pensioner's purchasing power in the face of the rising cost-of-living.

Many top brokers and pension consultants are earning considerable fees giving continuing advice to companies which contracted out of the State earnings-related scheme. Firms like Sedgwick Forbes, Noble Lowdnes and Godwins, for instance, have found a growing business in "pre-retirement counselling"—advising retiring members on their finances and helping them choose from the various pensions options open to them such as whether they should commute.

Another area which is offering great scope for enterprising brokers is providing additional voluntary contributions arrangements for company schemes. Some companies have always given late entrants to their schemes the chance to buy a full pension with extra contributions but it is only recently that the value of such arrangements has come home to many potential beneficiaries.

Even for people with full service, there is usually scope for additional contributions: often, for instance, the pension they are in line for will represent at best two-thirds of their basic pay whereas the Inland Revenue will allow up to two-thirds of full pay including bonuses, overtime, commission and other extras. Relatively few schemes fund for significant pension increases in retirement so there is scope for full service members to buy increases with voluntary contributions.

Eamonn Fingleton

Efficiency the educational aim

"OUR MAJOR aim is raising standards." declared Mrs. Andrea Bondi, the assistant secretary in charge of education and training at the British Insurance Brokers' Association. She evidently felt that no further explanation was necessary.

To an experienced observer of education, however, talk of raising standards tends to pose more questions than it answers. For instance, in the rush which has raised total spending on education and training in the UK to more than £10bn a year, most professional bodies would claim to have raised their standards. What they usually mean is that they now require youngsters to have a higher level of educational certificates before admitting them as students for the professional qualification.

But it is far from certain that a profession's standards, in terms of the efficacy of the service it supplies to its clients, will be improved by gearing its initial entry and membership examinations to a higher grade of academic attainment as measured by educational criteria such as the Ordinary and Advanced levels of GCE, or even by university degrees.

The trouble with stipulating that entrants must generally have at least two A level passes, which is now the practice of many professional bodies, including the Chartered Insurance Institute, is that "two A levels," like "five O levels" or "an honours degree," do not represent any constant standard even of academic ability. The difficulty of achieving a given grade of pass or class of degree varies from one examining board to another or from university to university; it also varies over time, and even more so between subjects. Attainment of a single A level pass in a difficult subject such as physics, for example, may well have demanded a better academic performance than the achievement of two in easier topics such as English literature and biology.

As well as making initial admission more and more dependent on the "funny money" of the education system, professional bodies have tended increasingly to hive off the training of student members to educational institutions. The result need not necessarily be an improvement. It seems clear that the job of a professional body is to pick out and concentrate on educational methods which can be adapted for the practical teaching of the professional skills. But in the process of hiving off training to the academic system there is surely an inevitable tendency instead to pick out and concentrate on those professional skills which can be adapted for theoretical teaching by standard educational methods.

In sum, while the activity which numerous professional institutions call "raising standards" has no doubt enhanced their academic esteem, it cannot be relied upon to have increased their members' practical effectiveness.

Encouraging

So it seems encouraging as well as unusual that the British Insurance Brokers' Association should be evidently less concerned to dignify the activities of its 4,100 member-companies with academic respectability than to enable their 55,000 staff to improve their services to the customer.

True, this policy may be not so much the product of careful thought as the result of circumstance. Having been fully formed for little more than 14 months, the association has been able to determine its education and training policy at a time when the nation has largely recovered from the infectious enthusiasm for education and training, even if only "for their own sake," which afflicted so many comparable bodies through most of the 1960s and in the earlier years of the present decade.

Moreover, since the Chartered Insurance Institute (CII) deals with the mainstream professional qualifications of the insurance sector and provides much supplementary training besides, the Brokers' Association has little if any excuse for allowing academic pride to distract it from the mundane job of providing education and training suited to the pockets and the profits of the broking concerns which are its particular interest.

"It's certainly not our role to compete with the Chartered Institute," Mrs. Bondi said, "and so what we are trying to do is to identify the needs of our members that aren't being met by the CII—its resources are stretched, after all—and fill up the gaps.

"At basic level, for example, we see a need for courses on fire and loss of profits specifically for brokers' staff. And although the CII is running programmes on motor and liability insurance, we feel that the industry could do with more. But the four we are running this year have been carefully set up so that they are held in regions which aren't really catered for by the institute's courses, and on dates which don't clash.

"We think there's a large gap, too, on the reinsurance side. Although most of the CII's courses in that area don't start until the middle year, they're already fully booked, so to our mind that indicates an under-supply of training. Fortunately there's a special liaison committee to co-ordinate reinsurance training, which brings together companies and brokers and looks at the subject across the broad front."

But the main gap which the association is seeking to fill lies at the junior staff levels of broking concerns. The biggest of the association's 4,100 member-companies employs 2,500 people. The smallest consist only of a broker and a typist. Three quarters of the concerns have under 50 employees, and almost half have fewer than 20.

In a large proportion of the member companies, the junior staff on whom the broker's service often heavily depends are not people with two A-levels studying for professional membership of the CII. They are people with at best a few O-levels who, amid the hurly-burly of a small but busy concern, are liable to receive no off-the-job training unless of course their employer is a broker at Lloyd's which has its own well developed training scheme.

"Obviously, we'd like to see schemes of full-time basic training covering firms which aren't Lloyd's brokers," Mrs. Bondi said. "But when you consider how few staff many of them have, and the way they have to work for their living, they really haven't anybody to spare for full-time training. So whatever the association would prefer as an ideal, in the end we've just got to be practical."

As a result, the Broker's Association is putting a major effort into a kind of education which most of the formal academic system would probably think unworthy of notice — namely, self-study training of a very basic nature.

Projects

Work is in progress to produce a training manual for use by staff as a guide to "best practice" procedures and systems for their offices, and to produce it in a form which can readily be brought up-to-date as still better practices are discovered. Also in hand is a text book on insurance broking. Other projects in mind which will depend on the results of market research to test the likely demand include "work experience kits" consisting of study notes, cassettes and film strips dealing with motor insurance initially, and catering especially for newly joined employees. Motor insurance is a possible subject, too, for a further basic text book.

"The way we see it," said Mrs. Bondi, "is that this is the type of training that best offers to increase the effectiveness of the greatest concentration of people employed in broking. And if those people are more effective, they'll produce more profit for our member firms."

But did this mean, I asked, that unlike virtually every other comparable body I could think of, the British Insurance Brokers' Association was not concerned about the recruitment and training of graduates at all?

"Well, we do have a scheme for graduates," she replied, "but it's really rather small beer. We offer bursaries in conjunction with Nottingham University, which is the only one providing a bachelor degree course that we think has a substantial content of insurance. The bursary students get a grant of about £150 a year, and we arrange for them to work for six weeks with a broker each year during their vacations.

"And from the association's point of view," Mrs. Bondi added with emphasis, "it's the working experience part that is important."

Michael Dixon
Education Correspondent

BIBA gives members a united voice

THE BRITISH insurance broking industry has been fragmented and lacked control —this has been the theme running through many articles over the years on the industry and brought about the need for regulation. It also applied to professional representation of brokers.

Until a couple of years ago, there were four groups in the UK representing insurance brokers, divided roughly into broking "social" groups.

But just over two years ago, in January, 1977, the four bodies merged to form the British Insurance Brokers' Association, thereby providing the first major step to a unified insurance broking industry.

BIBA's chairman, Mr. Francis Perkins, was the driving force behind not only the formation of BIBA, but also in bringing the Insurance Brokers (Registration) Act, 1977, on to the Statute Book. Now all brokers—from the multinational Lloyd's quoted company to the one-man operation in a small provincial town—is represented by one professional association. What advantages have accrued, or are likely to accrue, from this set-up that will benefit all members?

Important

First, brokers can now talk with one voice to Government, Ministers, Government departments, other sectors of the insurance industry and consumer associations.

Such a move is of vital importance under today's conditions when the authorities are becoming far more involved in insurance operations and when more is being done to protect the rights of consumers. The views of brokers carry more conviction when put forward by one united body than by four separate organisations which sometimes could not agree on specific lines of action.

Second, it is much easier to co-ordinate the educational and training programmes for insurance brokers. Insurance operations, both life and non-life, are becoming more complex. There has been a stream of legislation affecting in one form or another the working life of brokers.

Insurance products are becoming more sophisticated and brokers are faced with a bewildering choice. Yet under the registration procedures, brokers have to have a high degree of technical expertise. BIBA can do much to help its members keep up-to-date with new developments, arranging educational seminars and training courses.

Third, through its regional councils, brokers can meet together on a local basis to deal with problems that are more of a local or regional nature. For example, BIBA is arranging a seminar on March 23 on the subject of the threatened Thames flooding and the insurance problems that may arise.

Membership of BIBA is on a corporate basis, but this has a wide definition. It covers partnerships and sole traders as well as quoted and unquoted companies. Each separate subsidiary of a company can and does have separate membership. n many cases the branches of a corporate body will be a member in its own right.

BBA at present has about 4,150 corporate members. Then the principals of corporate members—directors, partners or sole traders — are eligible for the principals list of BIBA. The membership covers about 53,000 staff.

The opponents of registration and BIBA have claimed that the small broker would be squeezed out by the large Lloyd's brokers. The officials of BIBA have gone out of their way to assure the small man that he has a vital role to play in BIBA and this is reflected in the structure of the association.

BIBA has divided the country into 23 regions, with the head office situated in London. Each region has its own council and officials including its own Press officer. The regions elect their own representatives to the main council on the basis of one representative for every 300 members. An analysis of the structure of the Council shows that it covers the whole spectrum of broking organisations.

There are about 30 committees and sub-committees within BIBA covering the major and minor aspects of broking. The Reinsurance Committee stands on its own, while the Life and Pensions, Motor and Fire and Accident Committees are of prime importance. The strong ties with the EEC are reflected in the conections with the United Kingdom Insurance Brokers European Committee (UKIBEC).

At local level, the regional committees will arrange their own business meetings and social functions, such as the annual regional dinner. Local training programmes are usually arranged in conjunction with the head office. This latter aspect is now an extremely important part of the service provided to local members.

The regional committees have a high degree of autonomy and this is important in dealing with complaints. These can often be resolved with a minimum of fuss by the local BIBA representative. He or she will usually know the local consumer organisations making the complaints. Citizens advice bureaux, for example, are a focal point for receiving such complaints.

If the difficulty cannot be handled locally, then it can be referred to head office. Complaints by members themselves against insurance companies, or other insurers on behalf of clients, can be referred to head office.

BIBA has appointed a full-time consumer relations officer. One of his tasks is to liaise with the Office of Fair Trading, the Consumers' Association and other consumer pressure groups.

Training

To assist in the training and educational programme, BIBA publishes every month a news bulletin and magazine. The bulletin provides technical subject matter covering all aspects of insurance, including latest products from companies, new legislation and regulations. The monthly magazine contains not only longer articles on various technical subjects, but it provides news from head office and from the regions.

BIBA's first annual conference in Birmingham last autumn covered technical and social functions and the event proved extremely successful. The association intends to switch this event to the spring, with the next conference to be held in 1980 at a venue yet to be named. This function is not only for members but for their wives, with a daily and evening social programme.

BIBA feels that it has the blend just about right between the involvement of major and small brokers although there have been rumblings from some isolated quarters that some brokers feel that BIBA does not have the prestige of the old Corporation of Insurance Brokers. But if BIBA can be seen to work — and work successfully — then such discontent is likely to disappear.

E.S.

An unprecedented amount of public criticism of Lloyd's last year resulted in a working party to examine the Lloyd's community's ability to regulate itself. Meanwhile, British and U.S. brokers have been joining forces to operate in the increasingly competitive international insurance markets, as John Moore explains

Self-examination at Lloyd's

LAST YEAR *Lloyd's of London*, one of the most respected City institutions, came in for an unprecedented amount of public criticism.

The individual issues that incited public comment were varied. But as each issue was aired a common topic kept re-emerging: the question of the structure of the Lloyd's market.

Not for the first time were many observers wondering whether the curious market structures of Lloyd's itself were the cause of many of its problems and conflicts. There was wide concern that the rugged individualism or entrepreneurial spirit that Lloyd's was trying to preserve was largely outdated and outmoded in a commercial society within Lloyd's that perhaps treated the old accepted standards of utmost good faith in more cavalier fashion.

The appointment of Sir Henry Fisher by Lloyd's to chair a working party that plans to look at the entire aspect of self-regulation within the Lloyd's community was a natural outcome of the controversial incidents and disputes which took place last year. The Fisher team is sensibly examining most of the market's components—the brokers, the underwriting agents, and the structure of the Committee — as a first move.

A much repeated observation last year was that Lloyd's and perhaps the Committee was becoming too broker dominated.

The growing power of the super or mega-broker, usually publicly quoted, within the Lloyd's community was unhealthy, some underwriters muttered. They could use their sizeable accounts within Lloyd's to perhaps unfair commercial advantage over underwriting matters.

Moreover, on the face of it, some were in a position where they could dictate policy on underwriting matters. Many brokers own underwriting agency companies, the companies which manage an underwriting syndicate's affairs.

The reduction in the number of truly independent underwriting agencies has come about as small firms have sold out to the broking houses for tax reasons.

Lloyd's has a rule whereby underwriting agencies can only be controlled by members of Lloyd's. But most main board directors of the large brokers are members of Lloyd's and so the possibility of a separation of powers and duties has become more difficult as agencies have merged with the brokers.

Indeed, it can happen that the chairman of the underwriting agency company, who may also be the chief underwriter, could be sitting on the board of the holding company which makes policy for the entire group, including the insurance broking interests.

The chairman of the insurance broking operations often sits as chairman of the board of the underwriting agency company, although he might profess publicly to never concern himself with the affairs of that agency.

At the heart of the basic conflict in a set-up like this is the respective roles and duties of the broker. The brokers first responsibility is to the client, not to insurer. In turn the insurer, or underwriter, has to rely on the good faith and special trust that is established between himself and the broker.

To keep the relationship between the underwriter and the insurer on a proper footing is a delicate task at the best of times. But in intensely competitive conditions, such as now exist in Lloyd's and the London insurance community, that relationship can become strained.

There is another pressure on brokers, and the underwriters within their groups. If the broker does have a stock exchange listing he clearly has a responsibility to shareholders to produce the best possible results for the group.

How those results are arrived at may not necessarily be in accord with accepted standards of gentlemanly conduct within the Lloyd's community.

The relationship of underwriting agency companies within Lloyd's brokers is not going to be an easy matter to resolve.

But Lloyd's does seem to be getting to the root of another important problem within its market without the aid of recommendations from the Fisher team. Last year it struck off or suspended what seemed a large number of brokers, four or five in all. Several had fallen foul of its solvency rules, which had recently been tightened up.

Disputed

In addition to satisfying more demanding solvency tests brokers have been asked to provide themselves with adequate errors and omissions cover, more appropriate for the increasing number of insurance claims that are disputed on the grounds of misrepresentation by the broker. For this Lloyd's has set down certain limits. The premiums on this cover are expensive and many small brokers have found the extra

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Growing links with U.S. groups

THE TOPSY-TURVY world of the international insurance broker shows little sign of settling down. With just two months of 1979 gone two significant U.S. and UK insurance broking relationships have been established.

In the instance of Willis Faber and its announcement in January it is perhaps unfair to suggest that its link with Johnson and Higgins, the largest private broking company in the U.S., is a recent one. The Willis-Johnson relationship stretches back to the beginning of the century. Moreover, Johnson is a very private company with little desire to pool revenues and profits with anyone, say in the manner of C. T. Bowring and Marsh and McLennan.

But it is significant that Willis Faber felt it necessary, against the background of recent events, to remind the world at large of its relationship with Johnson and Higgins and that it had no intention of letting the grass grow under its feet.

It was, it explained, planning several joint ventures with Johnson in the U.S. to consolidate its operations. The U.S. produces more than half of the world's non-life insurance premiums and Willis Faber explained: "We are after a few crumbs from the rich man's table."

And, as a *practical* gesture towards becoming more involved in the U.S. market, Willis Faber announced that with Johnson and Higgins it was planning to form a company to introduce underwriting members to the New York Insurance Exchange, group those members into syndicates and manage their affairs.

Minet Holdings followed the Willis initiative with what has become an orthodox pooling proposal between it and Corroon and Black, the fifth largest publicly-quoted broker in the U.S. In forming its new alliance Minet is to sever its five-year-old equity ties with Fred. S. James, although the long-standing association and co-operation between the two groups is to continue.

Who will make the next move? This has been the repeated question since last April when Frank B. Hall and Marsh and McLennan, respectively the third largest and the number one quoted brokers in the U.S., both bid for Lloyd's of London insurance brokers.

With events following thick and fast in the transatlantic broking world the reasons behind these moves, and who may have taken the initiative, have become obscured. The motives, however, are plain. The Americans, particularly the large brokers, see limited scope for increasing their broking empires at home in a way which will also give them wider representation abroad. They have turned to UK brokers partly because of their expertise, but more importantly for the comparative strength of the UK brokers' international networks, the link to future growth.

Moreover, the Americans felt that as they produced such a large amount of premiums for Lloyd's and the London companies they ought to have a bigger say in the London market. And as they provide substantial business for Lloyd's of London brokers—all business that is placed with Lloyd's has to be channelled through an approved Lloyd's broker, and the commission is shared between the two brokers—the London brokers really should not mind.

The UK broker in turn has been delighted by the movement of events. Worried by the increasing competitiveness in world insurance markets, where premium rates are often under pressure and with them the broker's commission, the UK broker has started to plan for long-term growth.

His formula for long-term growth is to try to get closer to his clients in his principal market, the U.S. *To do this* he has found the formalisation of a link with a top U.S. insurance broker the ideal solution, since in any event their commercial dealings stretch back some years.

And so on paper the two philosophies should be complementary. Yet in recent months there has been almost an air of desperation in the London broking community as UK brokers rush to find U.S. partners, or the U.S. brokers rush to seek them. What may have started out as good commercial logic between one or two American and British brokers, could have become merely a defensive mechanism on the part of imitators.

The deal that Sedgwick Forbes and Bland Payne produced last November, involving a jumbo-size merger of the two groups and then a link-up with Alexander and Alexander of the U.S., foreshadowed perhaps the future reorganisation and regrouping of insurance brokers in the UK.

Indeed, Mr. Ian Findlay, chairman of Lloyd's and himself a former chairman of Sedgwick Forbes, told the Wilson committee: "We may well see a time coming when there are perhaps six or eight very large international firms doing most of the international type of business, and then quite a large number of smaller firms of a more specialist nature." The new order that is emerging could leave little room for the medium-sized broker to thrive.

Meanwhile, there are still plenty of London brokers around who so far have not announced any initiative. They include Matthews Wrightson, Alexander Howden, Lowndes Lambert, Hogg Robinson Group and C. E. Heath. And it has yet to be seen whether Glanvill Enthoven, in which Corroon and Black held a 35 per cent stake, will be fully taken over by the Charterhouse Group, the banking and industrial conglomerate.

Those brokers that are sitting on the sidelines are watching to see what effect a large and complex merger—the Sedgwick Forbes and Bland Payne merger—is likely to have on the distribution of business volumes. A broking company which is going through a massive programme of reorganisation and upheaval could lose a few dissatisfied clients and important accounts.

Even those London brokers that are establishing fairly straightforward pooling links with American counterparts are finding it difficult to cope with the massive volume of business that has been diverted their way suddenly by American partners.

It is not surprising, therefore, that there are a few predators waiting to pick up some of the benefits of the UK-U.S. insurance broking realignment, without wishing to go through the expensive contortions of their competitors.

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The esoteric functions of reinsurance are a mystery to most people because such business makes no direct contact with consumers. Yet spreading risks in this way attracts enormous business from the U.S. for British brokers and pushes the world annual total of these premiums to well over $20bn.

Reinsurance for the big risks

IN 1964 world non-life reinsurance premiums were a little over $5bn. Now they exceed $20bn by a wide margin, representing over five times total amount of premium that Lloyd's of London handles annually, or ten times the amount of reinsurance premium that enters that market.

In spite of the financial importance that reinsurance has established within the insurance community over the years, its rather esoteric functions have remained a mystery to the general public. The main reason for this is that reinsurance has no direct contact with the consumer of insurance, such as a member of public or a business.

Reinsurance contracts are, after all, arranged between two insurers—the insurance company and the reinsurance company.

Through taking out reinsurance cover insurers protect themselves from underwriting losses which could damage their solvency; bring some consistency to their underwriting results; and increase the amount and type of business that they can underwrite. Rather like bookmakers, insurers through the medium of reinsurance are laying off their "bets."

Reinsurance companies themselves can arrange reinsurance cover with other companies on reinsurance business that they have accepted. In this way the risk is fragmented, and claims should not prove onerous to any one company as and when they arise.

As in ordinary insurance business, the intermediary—or reinsurance broker—plays an important role. He advises his client on the best reinsurance scheme, and seeks out those markets which are likely to prove a safe and reliable support to the insurer. In the UK most reinsurance brokers are subsidiaries of larger insurance broking companies.

But often reinsurance specialists have left the full time employment of such companies to start a reinsurance broking operation of their own. In these circumstances capital for the new reinsurance broking company may be provided by another insurance broker who sees potential in the new operation and wishes to establish a link.

Upheavals within the London insurance broking community, as a result of the establishment of new alliances between British and American brokers, has prompted a number of reinsurance specialists to leave their insurance broking companies, and set up on their own in this way.

The unsettled internal organisations of many of the London brokers are likely to leave clients dissatisfied. So the small specialist group could benefit as accounts move from broker to broker.

Whatever the residual benefits are to individual reinsurance brokers that come from the re-arrangement of the transatlantic alliances, the main market for the UK reinsurance broker's business is the U.S. It was the U.S. market which exported about $3bn of premiums to London in 1977, a large part of which was in the form of reinsurance.

A principal class of reinsurance business that is handled in London from the U.S. is the excess of loss reinsurance arangements. Under this type of reinsurance the U.S. domestic insurer decides on the maximum loss that he is prepared to bear on any one or series of events, and then arranges with reinsurers to pay the excess of that amount up to an upper limit.

London, of course, has attracted the hard-to-place reinsurance lines of business such as on property and casualty risks, and various classes of liability insurances. But many of the risks that American insurers have not wished to expose themselves to have arrived in the UK as direct insurances.

The reinsurance business that arrives in London from the States comes from just a few major U.S. brokerage firms such as Guy Carpenter (the largest U.S. reinsurance broker and a subsidiary of Marsh and McLennan), Towers Perrin, G. L. Hodson, Willcox Baringer (a subsidiary of Johnson and Higgins), John Sullivan, E. W. Blanch, Intere, Balis and Booth Potter Seal.

They have needed links with UK brokers, particularly with approved Lloyd's brokers, in order to take advantage of the specialised expertise in London and gain access to Lloyd's.

But business flows are not guaranteed to be consistent from the U.S. They are subject to market forces.

In the mid-1970s the underwriting experience of insurers in the U.S. declined dramatically. At the same time investment values collapsed leaving the capital bases of many of the insurers badly damaged. Inflation was climbing which meant that insured values were even more onerous to bear. The U.S. insurance market contracted and the available business found its way to the UK giving the London market a massive boost.

But the U.S. insurance market recovered and the underwriting cycle has peaked once again. Premium rates are reported to be falling because of the intensity of the competition and the surplus of available market.

Inflation is also creeping up in the U.S., which could pose new problems for the liability classes of insurance business when it is placed domestically, while other premium rates are softening. Moreover, insurance experts are warning that there could be a severe insurance capital and capacity shortage in the early 1980s.

In conditions like these the reinsurance broker will be more heavily depended upon by clients to provide a thorough service when arranging the necessary reinsurance layers. And because premium rates will harden as the market contracts his brokerage will show a healthy rise.

Meanwhile the emergence of the New York Free Trade Insurance Zone, together with the eventual establishment of a New York Insurance Exchange, closely modelled on Lloyd's could prove to be of use to the UK reinsurance broker.

These new projects in the U.S. are likely to require reinsurance back-up and the expertise of London.

J.M.

TRANSATLANTIC DEALS

April 1978
Frank B. Hall of the U.S. and Leslie and Godwin of the UK, and Marsh and McLennan of the U.S. and Wigham Poland of the UK in bid talks.

April 19
Committee of Lloyd's rules that no insurance interest outside the Lloyd's market may normally hold more than 20 per cent of a Lloyd's broker.

April 20
Hall puts its bid on ice, and Marsh's approach to Wigham comes to a halt.

April 26
Lloyd's committee blocks attempt by Swett and Crawford, a subsidiary of insurance group Continental Corporation of the U.S., to take a larger than 20 per cent minority stake in Harris and Dixon Insurance Brokers of the U.K.

June
C. T. Bowring of the UK and Marsh and McLennan in private talks.

June 29
Hall revises £25m bid for Leslie and Godwin which satisfies the Lloyd's committee.

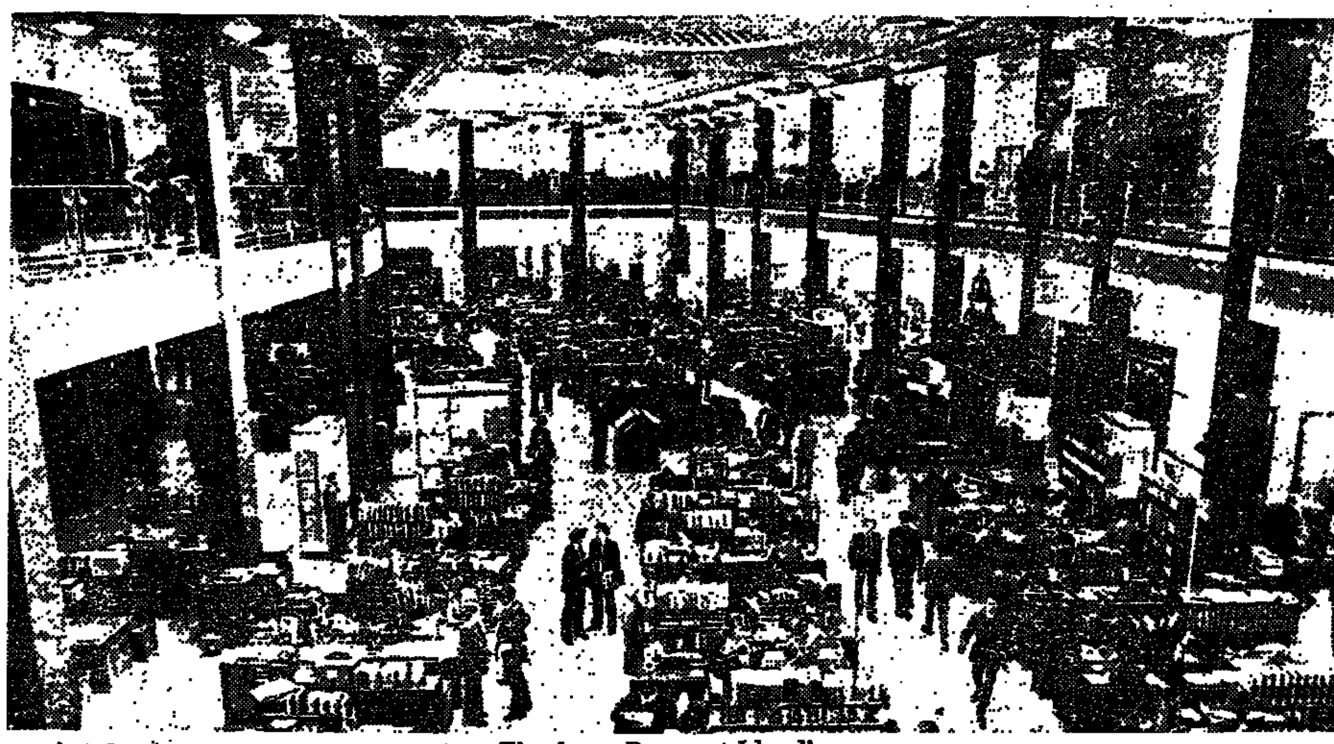
September
C. T. Bowring announces that talks are under way with Marsh and McLennan which could lead to a pooling of their insurance interests.

October
Swett and Crawford allowed 20 per cent stake in Harris and Dixon by the Lloyd's committee.

November
Sedgwick Forbes and Bland Payne of the UK to merge. Then planning to link-up with Alexander and Alexander of the U.S.

January 1979
Willis Faber of the UK plans to consolidate its American operations through more joint ventures with its long-term partner Johnson and Higgins of the U.S. They both intend to help the development of the New York Insurance Exchange.

February
Minet Holdings announces that it is planning to pool its insurance business with Corroon and Black of the U.S. Minet severs its equity arrangements with Fred S. James of the U.S. Corroon and Black may sell its 35 per cent stake in Glanvill Enthoven of the UK to Charterhouse Group, the majority shareholder.



The Long Room at Lloyd's

Lloyd's

CONTINUED FROM PREVIOUS PAGE

costs burdensome. On the solvency front insurance brokers have to keep a separate insurance broking account into which all insurance premiums and claim payments have to be channelled. This ensures that insurance money is not allocated for other capital needs of the insurance broker in non-insurance interests.

The admission standards that every new broker has to meet before gaining entrance to Lloyd's are monitored constantly. But, when a publicly quoted broker needs to be disciplined at Lloyd's, Lloyd's itself proceeds with more caution than it would with a private broking firm.

Shareholders' interests are locked up in the share price of the publicly quoted broker, and if that broker were suspended from placing business with Lloyd's the share price would fall and the goodwill of the group be damaged.

But Lloyd's is bound to be under some pressure to evolve a disciplinary system appropriate to the publicly quoted broker, which is seen to be fair in relation to the rest of the market.

Some members of Lloyd's argue that whatever reforms Lloyd's introduces there are bound to be cries from parts of the market who might accuse the Lloyd's ruling committee, who are mainly all working members of Lloyd's themselves, of serving sectional interests.

A new debate will then open up on whether Lloyd's should have a full time executive committee, with a paid chairman.

The next two years could be tough for Lloyd's if the Fisher working party deals with some of the central problems of the community. But what might emerge in the recommendations, if implemented, could make Lloyd's a healthier and more efficient market place.

Increasing use of computer aids

THOUGH THE insurance companies, with a few notable exceptions, were relatively slow starters in using computers, they are now exploiting most of the facilities that advanced data processing techniques can offer. These run from investment management to computer output on microfilm and include continuously updated account information that can be interrogated directly by company staff from branches far distant from head office.

Like the bankers and many other organisations needing a considerable amount of clerical support, the insurance companies have felt the pinch from staff shortages in the past few years. Computerisation, especially on the accounting side, has aided them not only to cope with the need for more extensive and speedy management information but to expand the services they offer at a time when, without electronic aids, they would have been unable to cope with normal business.

Some, like the Frizzell Group, have been particularly venturesome in breaking away from the apron strings of IBM and adopting equipment which competes directly with the latter's machines but runs on the same software, or operating routines.

Frizzell has ordered and installed an Itel AS/4 which replaces an IBM 370/138. The latter had been on rental only for a year but, a spokesman for the group declared, there were too many machine changes and costs were rising too quickly. A decision was taken to purchase and fix processor costs for five years.

New and used 370s were considered, but as soon as the 3031 was announced, earlier machines "did not make economic sense." But IBM could not supply within the company's time scale, hence the Itel decision.

This decision was reinforced by the knowledge that, as the load increases, computer power can be expanded from its present level of about 1¼ times that of a 370/148, stepwise and on site over a week-end to the equivalent of a 3031. The industry is obviously alive to events in the data processing area and clearly believes itself able to cope with any of the consequences of opting out of IBM equipment.

Writing insurance policies in which there are many variables is not a cut-and-dried operation and a great deal of information is necessarily generated in the course of providing cover. To control this information and ensure that important facts are easily available, an ambitious real-time service has been established by Eagle Star Insurance.

The latter company is one of the top ten in the country in the "composite group." It is running an information network based on two large IBM machines at Cheltenham to which the 24 policy writing offices are connected by Post Office land lines. Video displays and keyboards in these offices allow underwriting staff to obtain essential details from the main computers as and when the information is required.

The company has a further 132 branches, however, and while it would be an extremely expensive business to put all these in direct communication with the Cheltenham centre, any method of improving the flow of information to the branches would be welcome. The answer has been to go over to a computer output on microfilm system, replacing manually maintained files or the need constantly to refer by telephone to the centre.

A number of branches serving 16 out of the 24 underwriting areas now have complete policy records on microfiche which can be rapidly scanned on readers. The FMS (Fiche Management System) developed by the Eurocom offshoot of National Westminster Bank is used. This permits continuous updating of Eagle Star's large file without the need for a complete reprint.

Once a policy file has been created, the weekly fiche contains only the changes that have occurred in the week, plus index fiche prepared both according to the insured's name and his or her policy number. Viewers have dual fiche carriers and can hold both index fiche and detail data fiche simultaneously.

Cheltenham centre prepares the magnetic tapes with policy information and these are processed into fiche at the rate of 350 per week at Eurocom, Rickmansworth, and sent by post to the 109 branches now using the system. It will take until July to provide full coverage to ensure that all branches have up-to-date records of policies which can be consulted in a split second.

This is an interesting development from the system which started life as a back-up to the computerised service at the underwriting centres should the latter's links with Cheltenham break down.

Not all the insurance companies have their own computing facilities and a number of the country's computer bureaux have set up a variety of services to provide support in several areas of insurance operations.

Possibly the most active in providing such services is CMG's City of London branch. This is providing bureau support to Marlow Underwriting Agencies, and has developed an investment management system and a unit-linked life insurance system among other operations connected with the insurance world.

This latter facility was developed originally for the TSB Trust Company and after initial running on a machine at CMG's Croydon centre was transferred to a machine at the TSB Andover centre last year. Available as a complete package for other users, either on own machines or through the CMG Croydon centre, it is intended to reduce the administrative burden especially where business is growing.

Accurate audit trails are maintained and by taking edited details from standard proposal forms, automatic underwriting can be carried out, provided the proposal meets predetermined rules. This means that if the sum insured does not exceed the reinsurance limit, the proposed life has cleared health questions and is within height/weight requirements, the computer will automatically underwrite the proposal and issue the appropriate policy number.

Detailed unit allocation statements are automatically produced for each policy holder on the anniversary of joining and a wealth of cross-correlated management information flows from the system.

Marlow Underwriting Agencies is using a system which has been called DIFAX, run at Croydon, to handle accounts and statistics for the companies for whom the agency underwrites insurance policies. A management accounting extension prepares figures for quota share and other reinsurance protection together with production of management fee figures on both accounted and settled basis.

Information on new policies, premiums, claims, cash etc. are put on to input forms and sent to CMG for processing. After the data has been checked, it goes into DIFAX where it automatically updates brokers' ledgers and the policy master file. The product of this operation is a series of statistical and management information reports—Department of Trade return data is easy to extract.

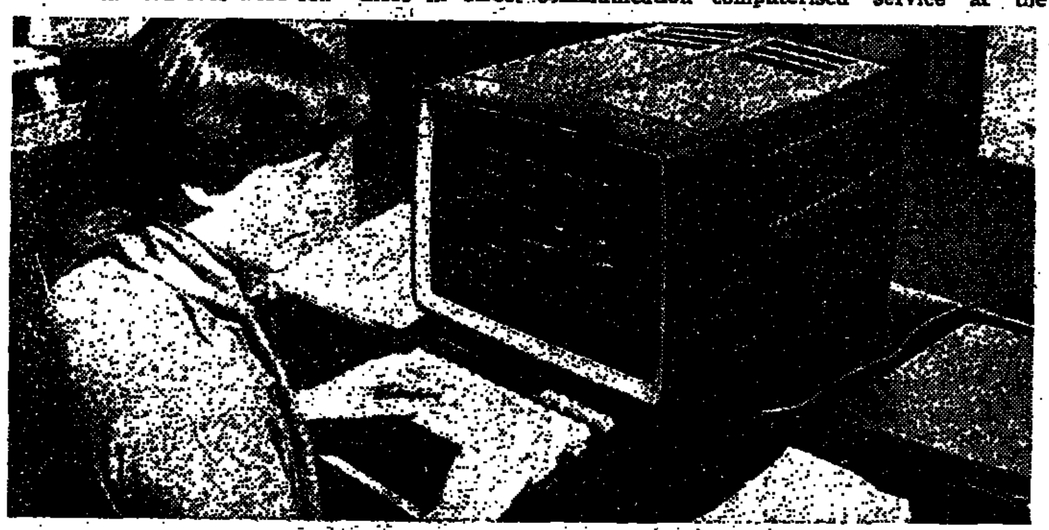
Each month, brokers' open item statements are printed for each of three currencies, with a separate statement by broker code of items outstanding in each account. A reconciliation report of the brokers' ledger with opening balances, movements and closing balances in sterling, U.S. dollars and Canadian dollars is produced automatically.

Apart from reports extracted to provide the audit trail, users are in full control of the frequency of reporting so that data is printed out only to suit a specific requirement.

Handling over £15bn of Stock Exchange investments in an earlier version for such organisations as the Prudential Assurance and the Guardian Royal Exchange Group is a package which can be transferred or used as a bureau facility. It gives managers of investments up-to-date information at all times so that they can formulate market decisions. Developed for Burroughs B3800 machines, it can also be used on ICL 2900, Univac 9400 or IBM 370 machines.

Thus there are many support services for this important industry which can continue to grow, matching the expansion in car and home ownership as well as the need to cover such new phenomena as oil rigs and airliners, without being hampered in its activities through delays in the completion of the necessary formalities.

Ted Schoeters



Computer terminals may be used to link users of CMG's Invest II investment management system to the company's large Burroughs computer installation

Big Four banks all active

ALL FOUR of the big London clearing banks have their own insurance broking businesses. Relatively speaking, these are small and they compete more in High Street insurance broking than with the major Lloyd's names. Nevertheless they are expanding rapidly and all now rank the corporate sector as the major growth area of their insurance broking operations at the present time.

The branch organisation of the clearing banks seems ideal for bringing in business and indeed is the central feature of all the banks' insurance broking activities. But it is no longer possible for bank managers to act on their own right as agents for insurance companies. This activity became an embarrassment for the banks in the sixties. Indeed so lucrative was the business to some bank managers that it was often very difficult to get them to move.

Today all the clearing banks emphasise that their insurance broking activities are "whiter than white," so concerned are they about some of the events of the past. But does this mean that the banks are placing undue restrictions on the insurance broking subsidiaries? According to some people it is. One manager commented recently: "I don't know how the hell they expect us to win. If we were allowed to run this business our own way—the way insurance broking should be run—we would be growing at a rate of 100 per cent a year."

Nevertheless, banking analyst Bob Yates of stockbrokers Messel and Co finds that all the clearers are growing rapidly in insurance broking. He sees them as a major force in the High Street market and points to the fact that National Westminster is already the biggest broker of personal life business in the UK.

NatWest can trace its involvement in the insurance broking business back to the late 1920s. Following the merger of the Westminster and National Provincial banks in 1968/69 managers were prevented from writing their own agency business. Now all NatWest's insurance broking is centralised at offices in Bristol. So bank managers up and down the country remain essential to the expansion of the business.

The operation is headed by Mr. Byron Crittenden and is conducted through a wholly owned subsidiary called National Westminster Insurance Services. In the year to September 1978, National Westminster achieved an 18 per cent increase in commissions to a total of £3.4m, while pre-tax profit was up marginally from £1.1m to £1.2m.

THE CLEARERS COMPARED

	Barclays	Lloyds	Midland	National Westminster
Staff	280	125	155	302
District offices	33*	28	25	None
Commission income 1978 (£m)	3.2	2	2.5	3.4
Reported pre-tax profit 1978† (£m)	0.6	1	0.6	1.2

* Barclays also has four area offices. † Figures unlikely to be comparable because of different accounting rules.

The advantage of the centralised structure, according to Mr. Crittenden, is the degree of specialisation it allows. "Quite simply it enables us to devote the greatest degree of expertise to the areas of greatest risk, thereby giving a much better service."

The contrast could not be greater at Barclays. Here insurance broking is conducted through a subsidiary called Barclays Insurance Services under managing director Mr. Peter Maitland. Barclays Insurance Services is headquartered both in Croydon and at India House in the City. In addition it has four area offices—Leeds, Birmingham, Bristol and London—and a further 33 district offices dotted around the country.

The Barclays philosophy is to give as much local autonomy as possible to the man on the spot, and to make him identify with the community he is working in. So the office in Norwich is managed by a Norwich man.

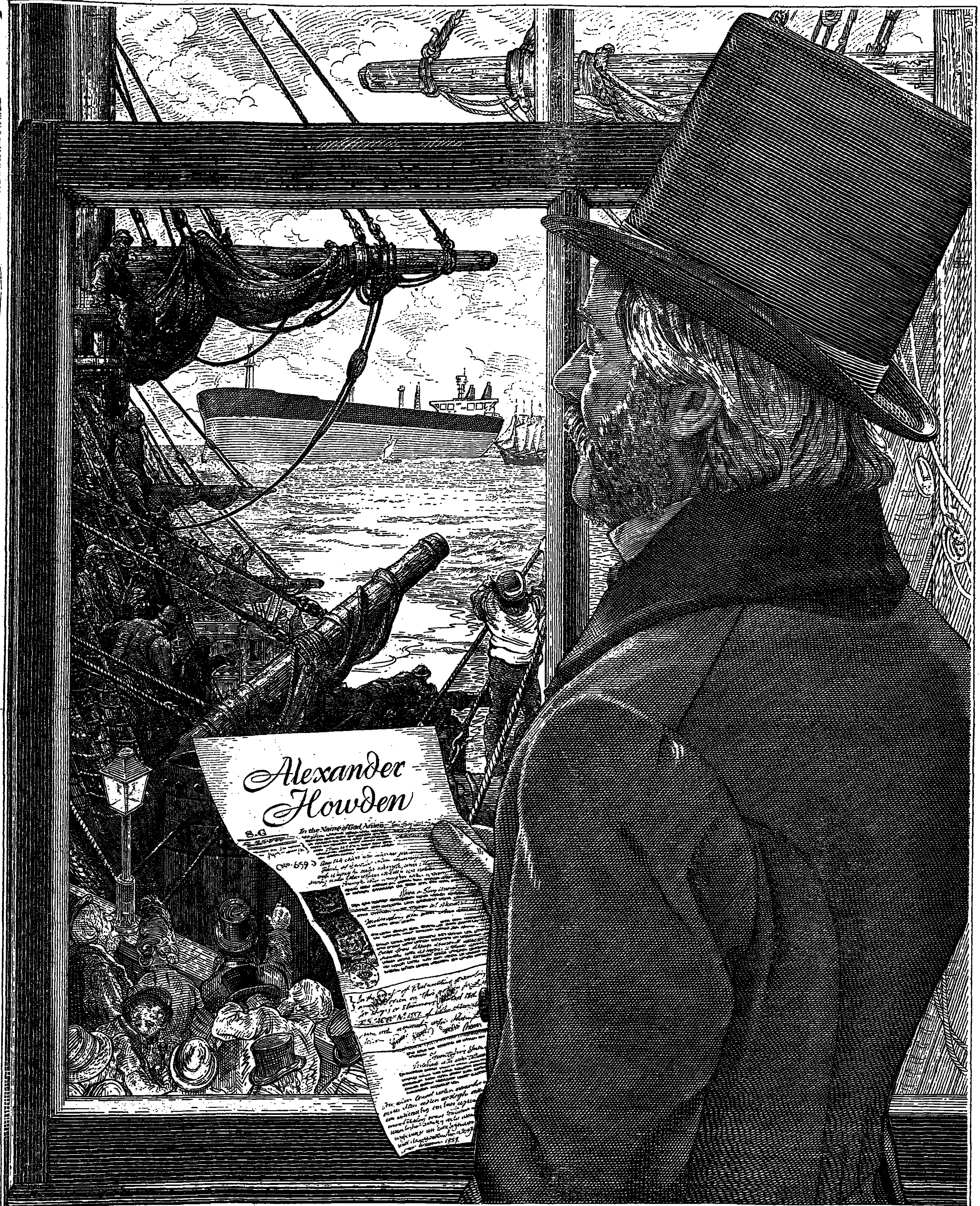
Midland conducts insurance broking of a nature similar to that of the other clearers through Midland Bank Insurance Services where Mr. Ken Green is managing director. Until the proposed Bland Payne deal it had, of course, by far the largest exposure of all the banks in this sector.

Midland Bank Insurance Services has its head office in London, but this in turn is backed up by some 25 offices throughout the country. Here again the rationale is based on the value of personal contact. "You have to see people face to face in insurance broking," says director Mr. John Howat. Midland Bank Insurance Services was started in 1972. For the last financial year commissions were a very modest £2¼m, but this was almost a third better than the year before. Pre-tax profits for the same year are reported at £641,000, an increase of about 10 per cent.

A similar picture is evident at Lloyds Bank, which also entered insurance broking in 1972. Last year Lloyds Bank Insurance Services, which comes under the bank's trust division, achieved a 30 per cent increase in gross commissions to £2m. Pre-tax profit (the way Lloyds does its sums) was 28 per cent better and no less than 50 per cent of turnover. Lloyds too operates through local offices; currently there are 28 offices drawing business from an average of 70 bank branches. Managing director Mr. Stan Roberts reckons on being able to achieve growth at a rate of between 25 and 30 per cent a year.

Compounding at this and faster rates it is clear that the banks are well on the way to becoming a major force in the UK domestic insurance broking markets. Within 10 years both Barclays and Midland, for example, forecast that they will be among the top ten companies in domestic broking. "We've got to do a lot of business," says Mr. Howat.

Michael Lafferty



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Risk management industry growing

TO MOST people the concept of risk management dates back to the time—fifty or perhaps even 100 years ago—when somebody first seriously sat down to assess the risks of a particular business enterprise.

For obvious reasons the idea has since been closely identified with the professional insurance adviser. His job is to identify what might go wrong before quoting a premium to his client which will ensure satisfactory insurance cover even if the worst happens.

Traditionally insurance brokers have provided advice to their clients which might involve some solution as an alternative to insurance. The layout of a factory floor, for example, or the simple installation of an emergency generator might guarantee uninterrupted production without the need for conventional insurance cover.

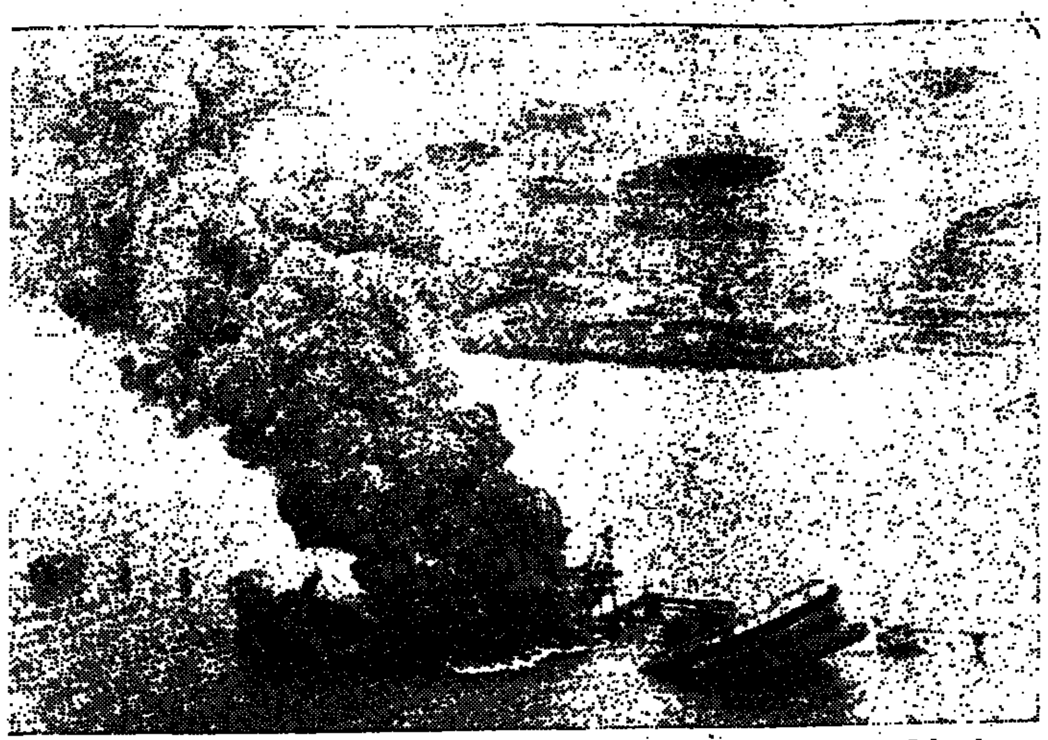
Obviously there is a distinction — and some people would argue, a conflict—between the insurance broker's interest in securing a high commission on premiums sold and the wider advisory role which he is often called on to play.

It is precisely this wider function, whereby a risk is identified, measured, controlled and if necessary covered, which the growing risk management industry has sought to fulfil.

Many insurance broking firms see risk management simply as an integral part of their whole service, at best acknowledging it as a useful management tool, at worst dismissing it as a gimmicky name for something which has been around for years.

Other firms, however C. T. Bowring and Bain Dawes, for example—have set up risk management subsidiaries which often operate independently of their parent and take on work which does not necessarily lead to the placing of conventional insurance business.

Despite its much earlier fundamental origins, the separate business of risk assessment and management was more recently developed in the U.S. in the late 1950s and 1960s. In the last decade it has become much more firmly accepted by the insurance establishment in the UK.



The catastrophe risk — the wreck of the tanker Betelgeuse at Whiddy Island, Bantry Bay, Ireland

The degree to which the idea should be seen in isolation, even by those insurance broking firms which have set up a separate subsidiary, is debateable. Controlling losses in the most economic way is part and parcel of the broker's job and any lessons and techniques developed over the last few years by a separate study of the risk management art will undoubtedly have been noted by those involved in the everyday business of handling insurance.

Concept

On the other hand, because risk management is essentially a concept used to save money (although cynics might say that lower premiums are offset by high expertise, it is possible to argue that a basic conflict exists between risk management and the insurance broker.

Alternatively, Keith Bullock of C. T. Bowring prefers to see insurance as just one but often a vital part of the complete risk management process of identifying, measuring, controlling and providing insurance cover for risk.

Whichever view you support it is generally agreed that the growth of risk management as a separate discipline has accelerated over the past few years in the wake of a greater awareness of non-commercial and non-insurable risks.

Paul Bawcutt, a director of Risk Research Group, which claims to be the biggest independent risk management consultancy in Europe, estimates that there is now fee income worth very roughly £1m in the European risk management market.

"What we have seen in the last few years is a greater preoccupation with social and political risk which potentially may be extremely damaging but which cannot be insured," he says.

The North Sea is one obvious market for this type of work, with oil companies and governments anxious to weigh, for example, the benefit to profits from a rich oil flow against the harm to their reputation which can be caused by environmental pollution.

The areas of risk are almost endless—if there is uncertainty about the future outcome of what we are doing or are proposing to do there is a risk. With this huge potential market for the resources and energies of risk management consultants, it is perhaps surprising that the industry is not bigger or more conspicuous than it already is.

One explanation is that disasters like Flixborough and Seveso are relatively rare. It is difficult to convince companies that their earnings might be in jeopardy or that something could be done about it until after the disaster has happened. In the same way it is difficult to persuade executives even after the event that had they taken a particular course of action the factory would not have burnt down or their entire Board killed in a jet crash.

Risk management consultants are therefore obliged to take the widest possible view and also identify and reduce risks which cannot be taken care of by conventional insurance cover.

Often this involves examining the implications of a particular catastrophe for which satisfactory compensation would not be available. For example, it is all very well to insure against loss of profit but it may not be possible to guard against other consequential losses. If your chemicals factory burns down, for instance, your share of the market will almost certainly be occupied by grateful competitors. An appreciation of this possibility may well lead a company to separate manufacturing facilities so that production may be continued at least on one site.

Advice by risk management consultants to major clients often includes a recommendation to adopt self-insurance for many categories of risks, sometimes by the establishment of their own subsidiary companies —referred to as "captive companies."

This can be attractive if the risk is fairly well spread and provided that a fairly cautious approach is made in the first few years. The captives, of course, will have to meet management costs but the profit, commission and overheads of commercial insurers are all saved.

In order to grasp the various problems, it is normal for independent consultancies and large broking firms to employ a number of in-house specialists. C. T. Bowring, for example, has about 50 full-time management consultancy staff working around the world, while at Bain Dawes the number is at least 40. There will almost certainly be insurance expertise but there will also be chemists, metallurgists, industrial hygienists, engineers and fire specialists and lawyers who can be brought in to deal with a particular job.

Most risk management consultants agree that it is much easier to identify risk than to quantify the potential impact of a disaster. This however, is one area where we are likely to see important strides in the years ahead.

Tim Dickson

Essential role of smaller brokers

THE INSURANCE broking world consists of the groups which form the "big battalions" and, a long way off, the mass of small provincial brokers. The wide gap between the large brokers and their smaller counterparts is hardly surprising for London is one of the major insurance centres of the world and the City brokers, plus a few regional counterparts, with their vast amount of international business are obviously much larger than their country cousins.

The two extremes can hardly be said to be in competition with each other. The big brokers do not primarily aim themselves at the man in the street who needs personal advice about his insurance needs. So it is in this area where the small broker comes into his own. The emphasis is put on personal service and the small broker, because of his lower overheads can afford to spend far more time with clients.

Yet even within the ranks of the small brokers there are considerable differences in terms of size. There are the High Street shops, sometimes staffed by no more than two men and a girl. This type of operation, often based on motor insurance business, enables clients to get personal advice by just walking in off the street. But brokers must do more than merely rely on passing trade. Many will actively go out looking for business—leaflets through the door, etc—until the business is built up to the stage where it can exist on established clientele and word of mouth recommendation.

The larger provincial brokers usually consist of several partners with a significant clerical back-up staff, perhaps numbering fifty in all. It is difficult to generalise but the larger provincial brokers will have both private clients and a number of industrial and commercial customers on their books.

Often firms of this size will operate a High Street shop to pull in passing trade and deal with the initial contact with private clients. The shop will be serviced by the rest of the staff operating from offices elsewhere. The main office will deal with the larger industrial and commercial clients.

Example

Then there are the few firms which do not fit readily into either broad category. Chelmsford based Callaway and Sons is a case in p oint. Set up in 1972 by David Callaway, the firm, which has a staff of only seven, works solely with company clients. It offers technical advice to those companies willing to pay for it.

To establish such a firm from scratch could prove an uphill struggle, however. Before setting up on his own Mr. Callaway was a managing director of a much larger firm in the area, and obviously he was able to take some clients with him when he left as a basis for his new business.

A winning factor for the provincial broker is the advantage of personal contact. Insurance can be an extremely complex business and many clients, both private and commercial, feel happier with a face-to-face discussion, rather than receiving a leaflet and covering note through the post. For those brokers after commercial business the "golf course" type contact can prove invaluable for getting and holding on to commercial clients. This sort of relationship is almost impossible for the large London-based broker to develop in the provinces.

Mr. Callaway can provide a good example. He recently won the business of a local company of sufficient size to have a stock market quotation. To get it he had to compete against the large brokers. He believes he won the day because of his reply to the company's question of what he could offer that the big broker could not. His point was that the company would receive the personal service of the managing director rather than an employee down the line. The managing director would pay more attention to the client, if only because of the profit motive.

Some large companies, of course, employ a full-time executive to deal with insurance matters. In such cases it is one expert talking to another. However, for the smaller groups insurance may be rated no more than a troublesome chore to be offloaded on to the overworked company secretary or chief accountant. In cases like these the broker's role is more difficult.

The company secretary or accountant will turn to the broker for advice from A to Z. Matters will almost certainly be put completely into the broker's hands. He will have to be prepared to discuss at length the company's requirements and do all the preparatory work and handle any claims that arise. For smaller companies such work may prove unproductive for large brokers so it is here that the small- to medium-sized offices can win business.

In the pensions field provincial brokers dealing with small companies have had their work cut out advising executives on whether to contract in or out of the State pension scheme. For some firms this has meant a significant slice of their staffs turning to pensions full-time. The main activity is now past but brokers still have to deal with enquiries from companies setting up in business.

With individual needs life assurance can prove very complex. The broker must explain what the client needs and where best to go for cover. Savings schemes are also an important part of the broker's work and he has to be fully conversant with all the latest schemes on the market. The only way he can achieve that according to one broker is to burn plenty of midnight oil reading everything and anything that relates to insurance and savings.

Information

Again, dealing with private individuals requires something akin to the "bedside manner of a doctor" and like the agents from the big insurance companies the broker may well find himself making personal visits in the evening to deal with clients.

Motor insurance and household cover is far more straightforward. The broker must make sure the client's cover is adequate and reflecting the ravages of inflation on house and contents values. As for motor business, most individuals want the cheapest available bearing in mind the company's reputation.

Keeping clients up to date is vital if the broker is to do his job properly. Certainly for individual clients an annual review is needed just to check that existing cover and/or savings schemes are still suitable to his circumstances. For industrial and commercial clients the broker should almost live with his clients. Being in constant contact, if perhaps partly on a social level, is important.

One of the main problems for the public, however, is how to spot a good broker from a bad one. Recommendation can produce a reasonable result but for many the process of finding a broker is very much hit or miss. Historically, before recent legislation anybody was able to screw a brass plate to the door and call himself a broker. No qualifications were needed and it was a situation where some people were bound to exploit the public.

The Brokers Registration Act in 1977 was designed to protect the public, and build confidence in the broking profession. Anybody who wants to trade as a broker will have to register and to do that will have to meet certain standards. However, registration is still taking place and it is likely to be 1980 before the Act really comes into its own. By then some 5,000 companies and 15,000 individuals are expected to have registered.

Meantime a broker displaying the sign of membership of the British Insurance Brokers Association (BIBA) indicates a certain standard. At least any complaints can be dealt with by the association. BIBA was established at the beginning of 1978 from the merger of several broking associations. In all there are 4,116 members, and presumably most reputable brokers will be members, so when dealing with a small broker the BIBA membership ensures some standard.

Terry Garrett

Towards better consumer relations

THE INSURANCE broking profession has gone more than halfway in meeting the demands of consumers for getting fair treatment when buying insurance. The rights of the consumer have been clearly spelt out in the code of conduct drawn up under the regulations accompanying the Insurance Brokers (Registration) Act 1977.

One prime objective in the registration of insurance brokers is to ensure that the public does get fair treatment. To be able to register, brokers have to agree to abide by the code of conduct and any proven breach will give grounds for disciplinary action against the broker concerned, including loss of registration.

Buying insurance is not like buying a television set. Generally speaking the public do not know what insurance they need and the task of the insurance intermediary is first to ascertain those needs and then recommend the insurance product that meets those needs. The public has to rely entirely on what the intermediary recommends, so there is obviously scope for abuse. To pursue the comparison, in a television set the defects soon become apparent. With insurance it might be years before the client realises that he was sold the wrong policy.

The Consumer Association has always been criticising brokers for selling consumers the wrong kind of life assurance contract. It has always maintained that a person's needs in this field are first protection and then savings. But it claims that brokers sell saving type contracts which provide maximum commission rather than protection. The Association's views were reinforced when it conducted a survey in 1977.

A random sample of brokers throughout the UK were visited by survey teams posing as prospective clients seeking insurance advice. The needs of these hypothetical families were very much protection. Yet about 60 per cent of the brokers recommended savings contracts. The consumer was thus having to pay far more for his protection. On these findings the Consumer Association damned the whole broking profession.

While there is a lot of truth in these findings, the Association overlooked one simple fact. With life assurance many people want to see their money back with interest on their life policies. Under term assurance there is no money back if nobody dies. Brokers have found from experience that recommending term assurance which the client needs is a waste of time and money. They recommend savings because that is what the client wants.

How does the brokers' code of conduct deal with this problem. Quite effectively if one reads it carefully. It sets out three fundamental principles to which brokers have to adhere. They must at all times conduct their business with the utmost good faith and integrity. Secondly, they should do everything possible to satisfy their clients' insurance needs and place clients' interest first, though with due respect for others. Thirdly, advertising must not be misleading or extravagant.

Most brokers do this anyway. In recommending an insurance company to a client, brokers still tend to use a well-established company, even if its policies and rates are not the best in the market. Memories of the collapses in 1974 of Nation Life and others, with consequent loss to consumers, are going to take a long time to eradicate.

The code then goes on to list 19 specific examples of the application of these principles, with the warning that they are not exhaustive. The broker has to explain on request the differences in the main types of insurance that the client needs and the relative costs. He should provide quotations from different insurers when making a recommendation. He has to disclose any additional charges or charges for additional services above the commission received. And at the consumer's request he must disclose the amount of commission being received.

This is a consumers' insurance rights charter and the code makes it obligatory on the broker to display a notice in his office where the public have access, telling of the code's existence, and making copies of the code freely available on request. This notice also gives the address of the Registration Council, with advice on how to make a complaint or seek the Council's help in resolving any dispute.

But consumers will from next year get even more protection in buying life assurance. On buying a new contract, there will be a cooling-off period of 10 days during which, without incurring any financial loss, they can change their mind and not continue with the policy. The life company must send direct to the consumer cooling-off notice which sets out details of contract, penalties on early cash-in and other warnings.

When this comes into force, it will not be in the broker's interest to indulge in hard selling. If the client then does not take up the policy the broker will have wasted his own time and money and that of the life company. It will pay at the outset to ensure the client fully understands what he is buying and why.

Herein lies the root cause of much of the problems between consumers and the insurance companies. Insurance is a complex subject which the insurance companies make even more complex. It has developed a jargon of its own and it now seems difficult for the expert to talk or even think in plain language. In particular, the policy itself, being a legal document, has been worded so as to stand up in court rather than be understood by the policyholder.

The Office of Fair Trading and the Consumer Association have been urging insurance companies to make their documents understandable by the general public. Much has already been done by companies in their promotional literature. But General Accident recently issued the first easy-to-read motor insurance policy, confident that it will stand up in court. It intends to revise all its policies to consumers.

But this lack of communications is not one-sided. Mr. Gordon Borrie, director-general of Fair Trading, made a very strong attack on insurance selling towards the end of last year. But he had not done his research properly or checked his facts with the insurance companies.

In particular he called on the life companies to review their commission system to avoid overselling, completely overlooking the fact that the Life Offices Association had done precisely this two years before. It had moved the bases from a sum assured to a premium related method, thereby removing the potential abuse of selling whole life non-profit policies to young consumers on commission grounds. The intermediary was paid commission at 300 to 400 per cent of the first year's premium; now the maximum is 90 per cent, payable over two years.

The British Insurance Brokers Association has now appointed a full-time consumer relations officer to deal with complaints and to liaise with the consumer bodies. Brokers can still do much to ensure that their individual clients understand what their insurance needs are and how to meet them. After all, that is one reason why the consumer consulted the broker in the first place.

E.S.

Exporters have special needs

THE BUSINESS of export broking, and to some extent that of the exporter himself, has always involved a special kind of risk element, as recent events in Iran have amply demonstrated. In addition to all the more normal risks of lost documents and damaged cargo, the businessman faces the additional problems of ensuring payment from sources in a strange land and all the added imponderables associated with sudden political change. It is hardly surprising that export insurance has summoned up a special sector within the insurance industry.

The possible losses involved for British business in Iran cannot yet be computed. Probably they will be lower than seemed likely only a few weeks ago when the UK Government's Export Credits Guarantee Department (ECGD) found itself obliged to suspend all insurance cover on new business commitments in Iran by British businessmen. Existing commitments remain covered as per contract but companies concerned have been asked to consult the ECGD before letting further shipments go ahead.

Commitment

The full British business exposure in Iran almost certainly exceeds £1bn, but with defence contracts playing the major role. Such contracts are almost by definition within the compass of the ECGD—indeed Iran is its third largest area—and any loss on such contracts will by-pass the private insurance industry to a large extent.

The total ECGD commitment has been put at around £900m but there is little expectation at present that any pay-out of this size is on the cards. Iran has massive assets in the West and was able, under the Shah's rule, to pay its debts out of oil cash flow. The UK, European and U.S. banks, which are also heavily committed in insurance on clients' business with Iran, have been noticeably slow to put any pressure on a country which will presumably become a major customer again once the oil starts to flow once more.

It is also true that the UK was by no means at the end of the list of European countries with business at risk in Iran. Other nations, notably the West Germans, were there in greater strength.

Nevertheless, the list of UK exporters with business outstanding in Iran reads like a roll call of British industry, and can hardly make comforting reading for the insurance broking industry. Rolls-Royce Motors, GEC, BL, Clarkson International and, of course, British Petroleum, the giant of the list, all have hefty commitments there and must therefore have contracted insurance. There is also a host of smaller companies, largely in construction, for which Middle East contracts have provided a vital cushion against a shrinking market.

But Iran should not be allowed to mask the other areas in which British insurers have found themselves at hazard. Perhaps the most notable of last year was Turkey, which cost the ECGD some £48m after insurance cover was suspended in October 1977.

In the recent past, the ECGD has felt itself obliged to suspend insurance cover on exports to Uganda, North Vietnam and Rhodesia—with the last named a source of general embarrassment to all concerned.

The latest tremor to run round the insurance market has its source in the Chinese-Vietnam border conflict.

Almost every major UK company is hoping to do business with China and there are plenty of insurance commitments already in hand. There is of course no insurance against an all-out conflict on the Soviet Chinese border, but there is a real possibility that the trade with China may become bogged down in an international political conflict. This may seem a long shot, perhaps, but fairly typical all the same of the problems that can suddenly present themselves on the desk of the export insurance broker.

The Hogg, Robinson Group, for instance, would claim that in 1978 it effected political risk insurance on 21 different nationalities of exporters operating in 90 different countries—and this during a year in which not only has most of the world struggled with the dangers of inflation and looming recession, but also amid some of the most alarming international developments since the past Arab-Israeli war.

Like much of the broking industry, it takes seriously its commitment to insurance for the smaller UK exporters, who sometimes claim they are squeezed out by the bigger names. Like other brokers, too, it participates widely in projects involving the ECGD, where it aims to supply technical insurance aid on major project business.

The general trend in the broking industry has been for profits to increase sharply over the past couple of years, with the main engine for advance coming from the flow of overseas—and particularly U.S.—earnings into the London broking market. This trend reflects in part the growing importance of overseas trade and capital finance to U.K. brokers, which has tended to draw them all into the export business to some degree.

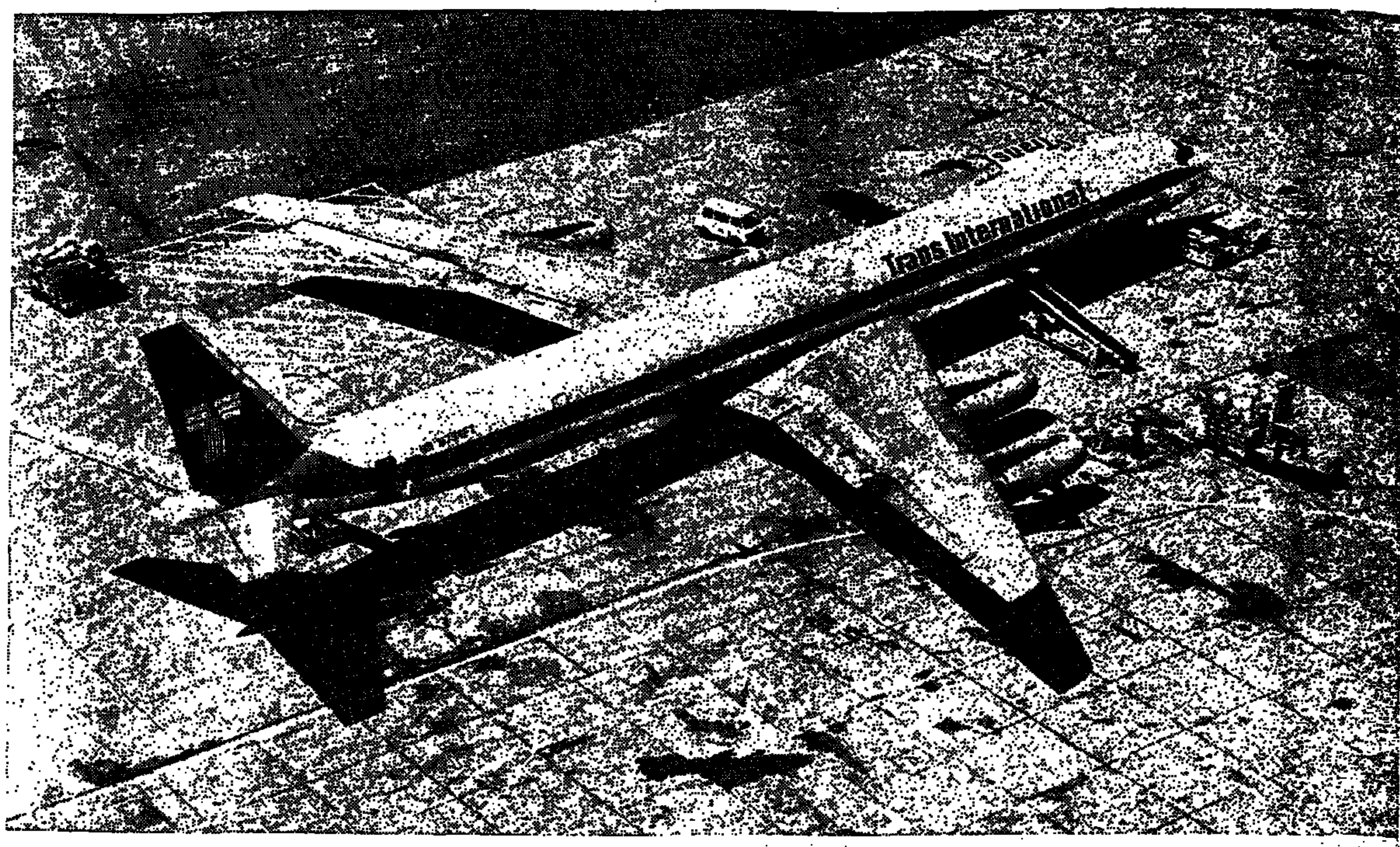
Currencies

It has involved them in the problems of currencies and political changes once regarded as specifically problems for the specialist export brokers. The wish to harmonise insurance inside the EEC, and the signs of impending competition for Lloyd's from the U.S., have both had a similar effect on the UK industry. It is hard to see how there can ever be any return to the days when any major UK broking firm could avoid involvement in the export field.

This view would be borne out by City investors who predict that broking profits will continue to grow, with international earnings continuing to provide the main impetus.

A survey of the broking industry by a major stockbroker has pointed out that the spate of mergers of the late '60s and '70s had created about a dozen quoted companies which derived the bulk of their profits from international insurance broking and that this period had seen a "softening" of the distinctions between insurance broking as previously understood and other financial fields.

Thus, the survey concluded, certain major broking firms now obtain a significant part of their profits from such activities as insurance underwriting, shipbroking, merchant banking and credit finance. Here, it would seem, is the pattern for the next decade in the insurance broking sector.



A TransInternational DC8 freighter at Muharraq airport, Bahrain — one of the flourishing export markets of the Middle East

Again, as export finance needs grow steadily larger in these days of high and expensive technology, it is no surprise that the insurance involved finds its way to the reinsurance market, via Lloyd's brokers. Around one half of Lloyd's business by value is now reinsurance business, and it seems certain that this trend will continue, with export insurance providing much of the driving force.

One question exercising the minds of the export brokers is of course the outlook for major currencies. Not all premiums or settlements are made in sterling and export contracts or overseas assets invariably bring an exposure to world currency problems.

Quoted brokers—those who publish accounts — do not usually break down interest earnings by currencies. It is generally believed, however, that while the biggest proportion remains in sterling, the dollar section is large enough to warrant policy changes should circumstances render it advisable. This involvement in foreign exchange markets has been another factor impelling export brokers towards further specialisation for both their clients and their own sakes.

In view of the many uncertainties now looming over export broking, it was some relief for the broking world to be told that the ECGD aims to increase its premiums this year to counterbalance the effects of inflation and of what it described as "adverse claims experience." ECGD inevitably takes the lead in export insurance, in that it has the official standing needed for opening the way in new markets such as China.

It has at present foreign currency liabilities of around \$2.5bn, and sterling liabilities of around £21bn. But it covers only one-third or thereabout of British exports and this leaves a great deal to be found by the brokers and passed on to some other source of insurance.

Export insurance is, almost by definition, a combination of private enterprise by relatively small brokers or by large banks and State enterprise in the form of the ECGD. It has so far proved one of the most effective examples of such a combination. It seems probable that the private sector will continue to play a key role in the industry, and the next decade will almost certainly bring a substantial expansion of its contribution to the whole field of British exports.

Terry Byland

Winning business overseas

FEW BUSINESSES are as multi-national as that of insurance broking. In recent years, moreover, the trend to greater global integration has been accelerating not only as a result of economic pressure forcing companies to strengthen further their international links, but also because of technological developments in communications. As a result, the geographic frontiers of the major UK broking companies have become progressively more blurred.

The commercial inter-play from one country to another in the insurance broking industry is vast. In the reinsurance business it is never easy to know where one set of national borders ends and another begins but in the final analysis British insurance brokers can be seen to be handling substantial levels of non-UK business.

One guide to the broking industry's spread of operation is the British Insurance Association's figures for net non-life premiums written by its members. In 1977 (figures for 1978 have yet to be compiled) UK domestic business accounted for just over two-fifths of the total sums written of £6.54bn. The U.S. accounted for £1.27bn with the balance spread between the EEC, excluding the UK (£699m) and the rest of the world (£1.88bn). These are underwriting results but they still act as a broad pointer to the geographic balances to be found throughout the broking industry.

The rush to win business in many so-called developing areas has at times been almost headlong. Brokers are establishing themselves almost daily in the Middle East, South America and the Pacific basin.

Penetration of these markets in emerging areas is not always easy. In many countries the only effective way to establish a presence is either to acquire a local insurance broker or go into partnership with a local interest. To purchase a local broker with a solid business is not easy and when it is achieved it is done mostly at fancy prices with the purchaser paying a sizeable premium for the business.

At the same time any change of personalities can involve the purchaser in a loss of goodwill, and therefore a loss of business. Local partners are useful in helping to avoid this risk but the problem is rarely sidestepped completely. The alternative is also risky. Starting from scratch can soak up capital and the early years of poor returns can come to try management patience. In general, UK brokers tend to forge links with existing businesses rather than go it alone. Political, as well as economic, pressures often dictate the latter course.

Outlook

Developing countries, especially, tend to be nationalistic in their business outlook. This need not mean complete nationalisation for the foreign operating broker but it does mean that he often has access to only a minority shareholding even though his parent company can be providing most of the operating expertise.

Other countries have established legislation which protects their own domestic insurance markets. Regulatory controls can affect a broker's commision rates and limit his freedom over the placement of the available business. Moreover, in many of the newer overseas markets competition is fierce, from both other international brokers and local concerns. In such conditions margins are squeezed and renewal business is often under threat.

Much of the present business of the less-developed countries is labelled by the London market as extremely volatile. The other side of the coin, of course, lies with the word "development" and the longer term. Insurance in the less-developed world is growing rapidly.

In Europe the major insurance currencies such as the Swiss franc and the West German Deutsche Mark have stayed remarkably strong at the expense of sterling, and the past couple of years have seen some of the major brokers move into the Continental markets in a substantial way. C. E. Heath, for example, has recently acquired a 20 per cent shareholding in a small French broker having paid about £4½m (in cash and shares) for an 80 per cent interest in the large French underwriting agency, Groupe Sprinks. Heath also has a small broking operation in Italy.

Breaking into continental insurance broking poses sizeable problems for the UK broker. Part of the reason is that harmonisation of the various insurance industries within the EEC is painfully slow in materialising.

For its part, the UK insurance industry has been keen to see all trading barriers against EEC member countries removed ever since Britain joined the Common Market. Brokers in this country looked for complete freedom, allowing a UK broker to place, say, a German insurance risk anywhere within the EEC. But progress towards this ultimate goal has been checked so many times that many within the industry despair of ever getting there. The task of harmonising radically different insurance operations and methods of opertion of intermediaries has proved a far tougher task than was originally envisaged.

A transitional directive for insurance intermediaries has been adopted which prescribes for intemediaries to trade on both an establishment and a service basis within member EEC countries. This is being done by providing for mutual recognition between member countries of standard qualifications for intermediaries. So a broker can set up shop in any member country and be recognised as an established operator. But he will still have to abide by the legislative requirement for placing insurance business.

Such legislation may well impose certain requirements on a foreign broker. He may be prevented from writing the business across national frontiers. For example, a UK broker operating within the EEC could not place a risk back at Lloyd's.

To a large extent, Europe, in terms of direct contact, remains an untapped and unsatisfactory area for the UK broking industry. The industry still tends to follow its traditions with heavy concentration on the more mature Commonwealth countries, and also the U.S. In recent years the U.S. has really dominated the broking scene in terms of overseas developments following a succession of mergers and trading associations between brokers in this country and those in North America.

The article below covers the U.S. scene in greater depth, but it is probably worthwhile repeating a few pertinent statistics. After all, just over half the world's premium income arises in North America, and the U.S. accounts for roughly a third of total broking income in the UK. That level of business has been rising in recent years following a substantial increase in the volume of insurance business flowing from the U.S. into Lloyd's and the other insurance markets in London.

American links and business positions in this country are very strong and to that extent the U.S. broking industry has shared in the upsurge in profitability that has been taking place as a result of operating expansion.

Jeffrey Brown

U.S. still looks to Lloyd's

THE FLURRY of mergers or "business pooling" ventures between U.S. and British insurance brokers of the last few months may have caused consternation and controversy in and around Lloyd's of London. But in the U.S. it is viewed as a significant and vitally necessary stage in the development of the American insurance broking business, for a whole string of reasons.

The most important is that for all its size and resources, the U.S. insurance industry still looks to Lloyd's as the centre of the world insurance business, offering contacts, business and expertise unmatched elsewhere. The failure of the U.S. to supplant Lloyd's has something to do with the domestic insurance bus'ness's late development: there simply has not been time for a Lloyd's-style tradition to develop. But a more discernible obstacle is government regulation which has bound insurers' hands and prevented them from developing naturally.

Ironically, New York City has just made a belated bid to cut through the rules and set up an insurance exchange of its own. But even though the scheme has now passed safely through the legislative stage after some last-minute objections and could therefore be in business by next autumn, it probably will be years before it represents more than a drop in the vast pool of world insurance. So, while U.S. insurers have backed New York's plans, they still see their future with Lloyd's rather than on Manhattan.

Lloyd's attractions have also increased with the committee's willingness to approve pooling arrangements between U.S. and British brokers, even though it continues — unfairly the Americans think — to forbid foreigners to own more than 20 per cent of a Lloyd's firm.

Incidentally, the Americans' resentment of this led the drafters of the New York Insurance Exchange's constitution to bar foreigners from the governing committee. But this provision was turned down by the state legislature on the grounds that it was "offensive."

U.S. brokers hope to benefit in a number of ways from their closer ties with Lloyd's. Marsh and MacLennan, the largest U.S. insurance broker with revenues of just under half a billion dollars a year—which is in the process of marrying up with C. T. Bowring—has its eyes on what it calls the "wholesale" insurance market at Lloyd's where business can be conducted on a large scale rather than through thousands of—frequently—tiny clients.

Others have stressed their interest in Lloyd's expertise. Alexander and Alexander, number two in the U.S., which is seeking a link-up with the merged interests of Bland Payne and Sedgwick Forbes, wants to strengthen its international presence and know-how, partly to draw in business from new parts of the world, partly to offer a fuller overseas service to its existing clients.

Frank B. Hall, the third-largest publicly-quoted company, is after particular types of insurance expertise, pension schemes and re-insurance, in its takeover of Leslie and Godwin.

Continental Corporation's broking subsidiary, Swett and Crawford, acquired a 20 per cent stake in Harris and Dixon with the aim, among others of improving its international representation. According to Mr. V. Lee Barnes, executive vice-president, Harris and Dixon is strong in certain parts of Europe, such as Yugoslavia, the Middle East and Africa, where Swett and Crawford is not. Also the arrangement, he points out, will benefit Harris and Dixon by bringing the Lloyd's partner more business from North America.

Several U.S. brokers point out that the merger wave is not a one-way street. British brokers often are just as interested in gaining a firmer foothold in the American market as U.S. brokers are in establishing themselves abroad. But eye-catching though recent developments have been, they are only part of much broader trends in the U.S. insurance broking business, where competition is extremely tense, and the quest for new business at a high pitch.

On the one hand, aggressive industry leaders such as Marsh and MacLennan, whose earnings are increasing at the rate of 15 per cent a year, have not been able to sustain this performance in the U.S. market alone for some time. For the last ten years or so, but mainly in the last five, they have turned to foreign markets for increasingly large shares of their revenues. Initially, they probably entered new markets on the strength of U.S. clients moving abroad. More recently, though, the quest for foreign business has become an end in itself.

Rather than forming partnerships or agreements with local brokers, U.S. brokers increasingly are buying up foreign firms or establishing subsidiaries of their own. These units are then expected to drum up their own local business.

In many respects, insurance brokers are following the same trail as the U.S. banks. These started out abroad serving their U.S. customers' international needs. Only later did they set up foreign branches to develop business of their own. Banks also like to stress the geographical and professional breadth of the services they offer and some observers also discern another parallel in the bankers' and brokers' susceptibility to fashion: once someone does it, the rest follow.

However, it would be wrong to dismiss the events of recent months as an example of insurance brokers' follow-my-leader. With Marsh and MacLennan alone accounting for over more than a tenth of all the business at Lloyds, and U.S. brokers together for nearly half (figures estimated by the Americans, incidentally), this is a formidable force, whatever its motives.

David Lascelles

Shares lose glamour

INSURANCE BROKING shares have been rated as glamour stocks for so long that it is difficult to believe they are in serious danger of losing their premium rating. During the past year the FT Actuaries Insurance Brokers sector index has suffered its worst setback in relative terms since 1974.

The yield on the sector index is actually higher than on the broad indices such as the Industrial Group or the All-Share, and although the average p/e ratio on brokers' shares remains higher than for the market as a whole the margin is now comparatively slender. In 1975 the sector swiftly regained the relative strength it had lost in 1974, and moved back on to its long-term growth path. But it looks as though the sector will find it much more difficult to recover lost status this time.

Problems

Three basic problems have hit insurance broking shares. First, oil-rich Britain no longer has the weak currency which used to make London a cheap base from which an international service industry could operate. Second, the growth rate of the international insurance industry in general, and of Lloyd's of London in particular, has slowed, while what might be called the problems of past success have been hitting the insurance headlines. Finally, the supply of insurance broking shares has greatly increased in recent months through the Alexander Howden rights issue and the £60m-plus offering of shares in Sedgwick Forbes Bland Payne. This has led to some technical weakness.

The sterling/dollar exchange rate is a key factor in the profitability of the UK-based international insurance broking groups. Much of the international business is denominated in dollars, but a substantial proportion of costs are in sterling. Until 1976 sterling could be relied upon to be weak, but now there is little sign of any relief on this score to offset the quite sharp growth which is now evident in labour and other costs here in the UK.

At least interest rates, both for sterling and dollars, have risen sharply over the past year, giving a boost to brokers' profits given the traditionally large scale of their liquid balances. All the same, it does not look as though 1978 earnings per share, which will be published in the near future for most companies, will be up on average by more than about 10 per cent (an overall figure which will mask some important variations).

At this stage the outlook for 1979 does not look very inspiring either. Among the important insurance areas, marine business continues to be hit by the shipping recession which has led to a sharp slowdown in the growth of the world fleet and so to a flat trend for volume. Aviation presents a different picture, given that the airlines and aircraft manufacturers are experiencing a boom, but even so the pickings are small for insurance brokers there is massive competition for the available business.

It looks, too, as though the United States will be a slightly less valuable source of new business than in the past couple of years. The capacity shortage which has dogged the U.S. market and diverted substantial business to Lloyd's, to the benefit of London-based brokers, has eased slightly. Some of the big rate increases on difficult lines such as liability coverage have been rolled back a little.

Meanwhile, there continue to be doubts about the international reinsurance market, which has been growing in boom conditions for some years and attracting a multitude of new and inexperienced underwriters from all round the globe. In recent months this sector has thrown up a string of scandals and disputes which have sometimes left brokers facing bad debts. Even when the losses are not in dispute, the payment of large claims by brokers on behalf of underwriters can often leave a hole in cash flow and lead to reductions in investment income, despite the comparatively high level of interest rates.

Reserves

Some of the larger brokers have established bad debt reserves over the years which have enabled them to cushion short-term problems. But small quoted insurance brokers have become exposed to damaging situations—as with Brentnall Beard, which became embroiled in the troubles of the Sasse syndicate, and with Christopher Moran, which acted in 1975 as a broker to reinsurance transactions which are now the subject of Fraud Squad investigations. None of this can help the status of the insurance brokers' sector.

Meanwhile, a lot of stock has come on offer. The £26m rights issue from Alexander Howden last May did not go down especially well in view of some unexciting profit figures, and meantime the market's hopes that the wave of transatlantic links now being forged between U.S. and UK brokers would lead to a number of juicy takeover bids have been dashed, although Frank B. Hall of the U.S. took over Leslie and Godwin. In several cases, however, complex proposals are being formulated—as with C. T. Bowring and Marsh and McLennan.

The recent massive UK merger between Sedgwick Forbes and Bland Payne, the Midland Bank subsidiary, has actually resulted in a major call for new cash, because Midland has taken the opportunity to liquidate its investment in insurance broking. Some £63m-worth of shares in the merged group Sedgwick Forbes Bland Payne were offered to Midland Bank's shareholders in a rights offer underwritten by the big investment institutions.

This offer closed last week, and has been overhanging the sector for some time. It has marked a significant change in the technical position of insurance broking shares. For years, shares of the sector have tended to be tightly held and issued only sparingly, which has obviously enhanced their status. Even when Willis Faber came to the stock market in 1976 it was through an introduction rather than an offer for sale. But since then rights issues have become increasingly frequent (and not only for the purposes of getting round dividend restrictions).

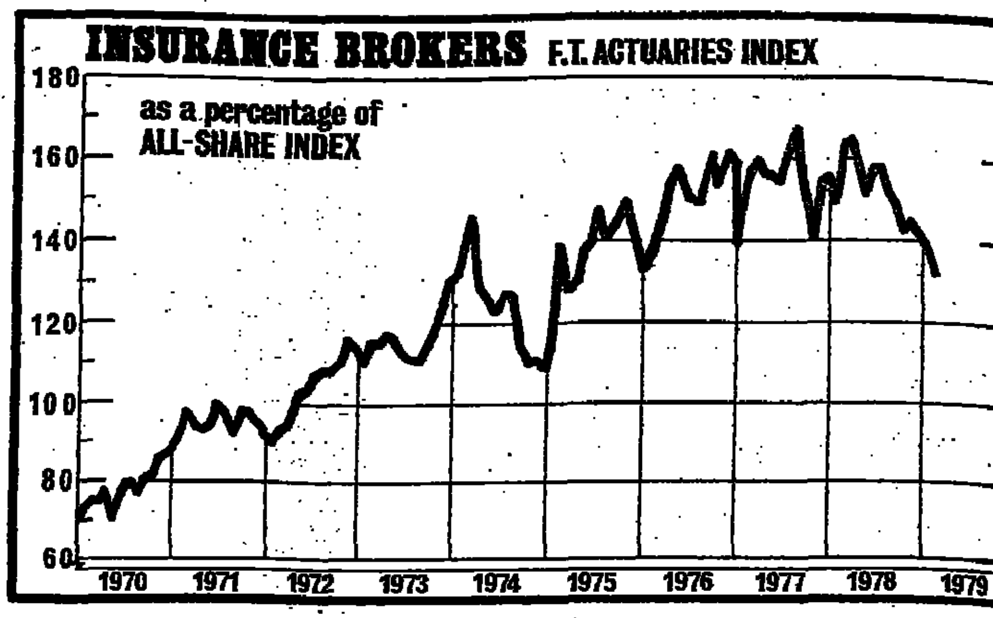
In the coming year, a key influence on the fortunes of the sector is likely to be the development of the U.S. links. Besides Bowring/Marsh and the proposed tie-up between SFBP and Alexander and Alexander, Minet has announced a possible close relationship with Corroon and Black.

The exact impact of all this pairing on UK shareholders is far from clear, however, since there are not to be full takeover bids for the UK companies (such deals being frowned on by Lloyd's). At least it does not appear that there is any short-term competitive threat from the U.S. version of Lloyd's which is proposed for New York. This has run into delays and cannot now achieve its planned April 1 starting date. In any case its initial premium capacity of about $200m annually will be tiny in relation to a total U.S. insurance market of $80bn and a world market of twice that.

According to stockbrokers Kitcat and Aitken, who specialise in insurance broking shares, the sector's growth has not gone completely, but caution is advised at present. Earnings growth may be only of the order of 5 to 10 per cent in 1979, very sluggish by the standards of the past years of super growth, and the expansion will be by no means uniform.

Transatlantic tie-ups are not all milk and honey, as was shown recently by the first-quarter results of Reed Stenhouse, the Canadian-based side of Stenhouse Holdings. There was a sharp setback, aggravated in sterling terms by the weakness of the Canadian dollar. In the current tricky circumstances the advice is to go for the larger, safer groups, such as Bowring or Sedgwick, rather than for the smaller companies in the sector.

Barry Riley



Complexity in life assurance

THE INSURANCE broking profession is showing the strains of the recent big increase in the complexity of life business.

Brokers specialising in life business now need to be all-round financial planning experts capable of advising on tax and investment as well as life policies. Such a service not only swells brokers' already uncomfortably high overheads but exacerbates the existing difficulties of many broking firms in finding enough qualified staff.

The increasing sophistication of the service now demanded of life brokers has also raised questions about how far it is right to use artificial devices in exploiting life insurance or pensions to reduce clients' tax.

The trend towards complexity in life assurance reflects the generally increased levels of marginal income tax rates for the better-off and particularly for people with significant investment income.

Brokers' interest in tax avoidance has been increased by the way the structure of the market is changing; with middle income groups badly squeezed by inflation, the big growth is at the lower end of the market and at the top. Most well-established brokers are happy to leave the lower end of the market—manual workers whose pay has in recent years increased much more than their housing costs and other outlays—to the industrial offices and the direct selling linked-life offices.

So brokers are increasingly forced to concentrate on the top end of the market for their business. Clients in this category are more likely anyway to appreciate advantages of brokers compared to direct selling offices.

But to survive at the top end, a broker must invest heavily in good staff and back-up services and must remain constantly on top of the information explosion.

Demands

The demands on insurance brokers have changed in the tax planning field so much recently that there is now, in the view of the British Insurance Brokers' Association, a pressing need for a revamp of the Life Offices Association's commission structure. Brokers have long advocated the need for "differential commissions," a euphemism for a two-tier system where brokers would be rewarded more handsomely than solicitors, accountants and other agents; the extra complexity of their work these days, brokers reckon, makes the need that much more urgent.

According to John McKirdy, chairman of the BIBA sub-committee on life commissions, one galling consequence of the present commission structure is that agents can often afford to give away some of their commission to their clients. Some sharp-witted clients even go so far as to get a broker to spend weeks setting up a scheme and then just before the deal is clinched demand a share of the commission. If the broker does not give in, they place the business with an agent who can well afford to share his commission—because he has not had to do the groundwork.

Many big broking firms are worried by the problem of training staff. According to Richard Cockcroft, of Towry Law, it takes about a year these days before a new recruit is pulling his weight. Mr. Cockcroft reckons that it now takes about £10,000 a head to train new recruits, taking account of the fact that many drop out in the first few months, after having contributed almost nothing to the business. A big broker will be lucky if a newly qualified salesman stays for more than four years, so training costs have to be written off over a short period. Finding good staff is therefore a constant headache and a heavy drain on cash-flow.

Brokers got some encouragement for their campaign for higher commissions at BIBA's first conference last autumn. Among leading people from the insurance companies who gave qualified backing for the case was Peter Sharman, chief executive of the Norwich Union and the then chairman of the Life Offices' Association.

The LOA is planning to review the commission question next month—but brokers would be surprised if any significant changes were made.

John McKirdy is pinning his hopes for a better deal for brokers on the Department of Trade's commitment to tighten up the rules for life insurance agents. The department's thinking, outlined in a discussion paper a few years ago, is that insurance companies should be legally responsible for the actions of the agents who sell their policies.

Benefit

A tightening up of agencies would benefit brokers particularly if each agent was restricted to acting for no more than one company (this would further limit the range of policies an agent can offer and so make the relative advantages of going to a broker that much greater).

The pressure towards greater concentration on tax avoidance has created the need, many believe, for brokers to exercise a degree of self-censorship in dealing with the more blatantly artificial schemes. Personalised bonds, where a controlling director can shelter his interest in his business under the umbrella of an insurance scheme, have been one example of the sort of arrangement which has come in for criticism. Growth bonds which rely partly for their high returns on tax relief for regular insurance premiums have also been criticised, particularly where they are written to mature soon after the four-year tax claw-back period has elapsed.

The objection to such schemes is that they use the tax privileges of life insurance for purposes which were not intended. If they are exploited on a large scale, attempts by the Inland Revenue to block the loopholes could lead to a severe tightening up of the rules to the detriment of many policy-holders whose right to tax privileges would not otherwise be endangered.

The solution is self-policing by the main representative organisations of the industry, the British Insurance Brokers' Association and the Life Offices' Association; but so far neither body has shown much enthusiasm for the idea.

Eamonn Fingle

Paris Opéra

Giselle

by CLEMENT CRISP

The Paris Opéra's version of *[Gi]selle* does not amount to very [mu]ch. A traditional staging by [Al]icia Alonso, it seems to owe [so]mething to the old American [Ba]llet Theatre production in [wh]ich Alonso delighted us, with [th]e addition of such dubious [tou]ches as a wili appearing in [Ac]t 1 when Berthe recounts the [le]gend of the night dancers, and [th]e peasant boys choosing the [b]est at the start of Act 2 for [a] game of dice. In matter of [de]coration its designs by Thierry [Bo]squet are rather claustro[ph]obic, lacking the individual [po]wer of the earlier Carzou ver[sio]n, and even more so the [be]autiful appositeness of the old [Be]nois settings.

Alonso has produced some [no]vel and beautiful groupings [for] the wilis, but like every other [We]stern production I know this *[Gis]elle* misses the artistic [co]herence, the feeling that per[for]mers, staging, design are all [ins]pired by a common love and [ap]preciation of the Romantic [ma]nner, which makes the Kirov [pr]esentation (recently in Paris) uniquely beautiful.

The Kirov comparison was all [th]e more obvious since Natalya [Ma]karova was the guest Giselle [for] two performances at the end [of] last week, in partnership with [th]e Opéra's own Michael Denard, [an]d their joint artistry threw [int]o relief the superficial [tex]ture of the production.

It is the particular distinction [of] Makarova's interpretation [to] lay to offer a reading which [sh]ows both of the ballet's acts [as] a single span of understand[ing], of emotional momentum. [Sh]e suggests very early on in [Ac]t 1 that Giselle has some com[pr]ehension of her fate, that, in[de]ed, the action of the drama [is] pre-ordained and that Giselle [mu]st be aware of that fact. It [is] a matter of eyes suddenly [ra]ising upwards, glimpsing her [de]stiny as the pangs of heart [dis]ease are felt in Act 1. It is [th]e exquisite simplicity, the [al]most transparency, of the vil[la]ge girl's character as she [su]ggests a flower test rather than [an] oath in testimony of [Al]brecht's love. And it is [Gi]selle's hypnotised attention on [Ber]the as she tells of the wili [le]gend, the girl seeing her own [fat]e unfold.

The progress of the drama in [the] first act, which culminates [in] a mad scene of exceptional [for]ce (like the Chosen Maiden [in] *Rite*, Giselle is fulfilling her [des]tiny), is carried over quite [nat]urally into the forest scene. [Ma]karova's is, in effect, a completely organic reading: from the husk of the dead Giselle must emerge the spirit of protective femininity that is the wili-Giselle. This spiritualised extension of the character springs into existence at Myrtha's command with a fierce vigour, and the blanched, almost transparent figure seems no more than animate mist sustained by her realisation that she is now more truly Giselle than ever before.

The emotional tone of the second act, which I saw on Thursday, was marvellously consistent. The dance itself, incomparably soft, conveyed emotional depth without stress. Giselle's love for Albrecht seemed pinpointed at the end of the adagio when Makarova hovered over the kneeling Albrecht; a flawless, eternally-held pose in which Makarova seemed to lean on the night wind for support, told everything of Giselle's ghostly nature.

After the moment of joy when Giselle realises that Albrecht has been saved by the rising of the sun, the concentration of the character seems to fade, so that the Giselle who returns to the grave (only, in this staging, Giselle has to make the most graceless exit on record by walking over her tomb into the mundane shelter of the wings) is no more than the shadow of a ghost already dissipated in the morning light.

A performance of such richness, of such sustained fantasy and poetry, would not have been possible without the ideal partnership of Michael Denard. I have reported previously on Denard's exceptional gifts: his ability to convey feeling through the beauty and nobility of his physique made his Kurbsky in *Ivan the Terrible* and his Robert de St. Loup in Petit's *Les Intermittences du Coeur* portraits of great allure. His Albrecht is a charming, unthinking youth who cannot resist the delicacy, the shyness and the profound appeal to his sympathies made by this Giselle. Protective and adoring in Act 1, Denard yet manages to indicate a haunted awareness of his own dilemma. In Act 2 he is noble in manner as in dance, and an exemplary partner.

The only disappointment in this Makarova/Denard interpretation came from a lack of rapport with the conductor, Steward Kershaw, whose tempi were at odds with the principals' needs.

Natalya Makarova as Giselle

New York theatre

Neil Simon off key

by FRANK LIPSIUS

In a scene in a recording studio, a hungry composer calls out to the engineer asking if there is any food around. A disembodied voice calls back: "There's a Danish, but I'm using it as an ashtray."

The appearance of a new Neil Simon play raises expectations that all the lines will be this sharp. The expectations were all the higher this time, with the knowledge that Simon would be collaborating with a celebrated musical team whose relationship formed the basis of the plot. Simon had his subject at hand to provide the inspiration as well as the music.

The play resulted from Simon's working with composer Marvin Hamlisch to turn *The Gingerbread Lady*, one of Simon's least appreciated plays, into a musical. During the collaboration, Hamlisch described his romantic entanglement with Carole Bayer Sager, a pop lyricist who had a hit with Leo Sayer's "When I Need You." Simon abandoned the gingerbread lady in favour of the Hamlisch-Sager story, now called *They're Playing Our Song*, which he developed as a two-character musical.

A remnant of the play's origins is in the strength of the female part, played with zest and flair by Lucille Ball's daughter, Lucie Arnaz. She has the killer instinct, strutting round the stage with the perfect combination of caginess and deference. Robert Klein as her quarry has the unfortunate role of a Simon fall-guy. He lumbers just out of reach with an unrelieved pained expression. When he sings the plaintive cry, "If She Really Knew Me," his diffidence at least has the air of perceptiveness.

What attracted Simon to his subject is periodically evident on stage. The Klein character, Vernon Gersch, sings, "She's a lot to deal with," and discusses the competitiveness she brings out in him. As Sonia Walsk, Arnaz exudes talent with her sharp wit and professional demeanor, combined with a flair for being a day and 20 minutes late for an appointment with her collaborator.

Most of the time, though, this is an ordinary boy-meets-girl story shoved into a Simon strait-jacket. When she does appear a day late, she rushes into the studio and rushes out again in search of a lavatory.

There is the Simon running joke, which eventually tires. This one allows Sonia to dress in a variety of unusual second-hand clothes, which she says she bought from staged musicals. Simon economises plot down to a bare minimum, making the collaboration work toward the goal of providing "Barbara" with five new songs. When the collaboration does produce a number-two record, "I Still Believe in Love," sung for some reason in the disembodied voice not of "Barbara" but of Johnny Mathis, the running joke comes to a climax with Gersch telling Sonia, "Now you can buy all the costumes from *Annie*."

The most serious flaw is that the relationship flounders not on the tensions between two creative people but on Sonia's unwillingness to abandon Leon, her former lover.

The theme, "They're Playing Our Song," has a catchy tune that is well arranged for its disco production number. "If (S)he Knew Me" has a good line or two, but like "Fill In the Words," it goes astray from the initial idea that might have been more fully developed.

The least reservation can be expressed for the sets and projections by Douglas W. Schmidt and the costumes by Ann Roth. Thankfully Neil Simon abandons his one-set format and is well-rewarded in a large variety of scenes, starting with a picture-window view of Central Park done in chrome.

Royal Academy of Music

L'Etoile

by RONALD CRICHTON

"Opera librettos are always terrible" said Chabrier, perhaps too sophisticated to be a sound judge. He was also too impatient and possibly too lazy to wory away at librettists as the real pros do. For his comic opera *L'Etoile* now being granted one of its rare London appearances by the Royal Academy of Music (further performances tonight and tomorrow) he accepted a stinker of a text by Leterrier and Vanloo. At least, it seemed so in this English version by Roger Savage. I haven't so far collected the French original: John Lewis Partnership in their revival some years ago made a tolerable entertainment out of it.

So *L'Etoile*, though a musician's delight, is a producer's headache. Michael Geliot at the RAM updates the story (about a dotty, horoscope-ridden king intending to marry a princess from a neighbouring state who sensibly prefers a young pedlar she meets ont he way) to a vaguely contemporary, vaguely Gulf-state setting. Visually the result is a mess. Such chances as the book gives for fantasy trickle away, while the equally few chances for modern parallels would look after themselves just as well in a never-never, not necessarily expensive, Gorgeous East.

Mr. Geliot has however rehearsed his student company thoroughly in the way he wants them to go. The dumbfounding dialogues trip as nimbly off their tongues as the chorus trip on and off the stage of the Sir Jack Lyons Theatre. Two of the usual fauls of crypto-professional comic opera are thus sidestepped. But there is a curious discrepancy in this production between speed and pace. The absence of the latter fatally allows one to stop and think.

Fortunately the music saves the situation again and again. Chabrier put his fingerprints on every page—the harmony that threatens to become too spicy until corrected by modal flavour, the tunes full of tenderness that take unexpected turnings and prolong pleasure by extending the phrases beyond the expected length. Steuart Bedford conducted, bringing out the tenderness (it was good to hear young players being encouraged to keep down and help the singers) but missing some of Chabrier's high spirits and more than once letting the pulse go slack (in the duets and in the quartet that is really a double-duet). Mr. Bedford underpointed the Green Chartreuse number, a delicious grand-opera parody where Chabrier rivals Offenbachathis own game—otherwise there is less offenbach than Gounod, and less looking back than forward to Messager and Hahn.

In the breeches role of Lazuli the pedlar (of cosmetics, as it happens), Lesley Garrett gives a performance of great promise. Miss Garrett has a winning way with the dialogue, even with this dialogue, her singing is clean and true and assured. As King Pufft, Peter Crowe builds up a competent comic sketch where something more extravagant is needed. Jill Washington sings sweetly, a little palely, as Princess Laoula, Paula Bott as her duenna has a voice that should develop interestingly. Generally the singing has the musical virtues one would be unlikely to get from seasoned French artists with the experience to salvage the comic side.

Festival Hall

Palintropos

by MAX LOPPERT

The prospect for new music at the Festival Hall, usually so gloomy, brightens a good deal this month. In four successive Friday concerts, the first of them this week, the London Orchestral Concert Board promotes the London premieres of works by Halffter, Maxwell Davies, Sinopoli, and John Tavener. But the first light, a beam of Greek sunshine, was in fact cast last Friday by the City of Birmingham Symphony Orchestra, which assembled Lawrence Foster, Stephen Bishop-Kovacevich, and the CBSO Chorus down South for brave readings of the prologue from Boito's *Mefistofele* (bass soloist Willard White) and the Verdi Four Sacred Pieces, and for the second performance of Tavener's *Palintropos*.

Palintropos, for solo piano, brass, percussion, harp, celesta, and strings, manifests, like so much of Tavener's music, the highly decorative elaboration of a basically simple idea. It was inspired, the composer's programme note told us, by the change of colours observable in the course of a single day on the island of Patmos. The inspiration is clearly reflected in the music: Four linked sections, divided by "musical columns," have as their sole preoccupation the slow mutation of colour, and are contrasted solely in terms of surface activity. The title means "turning back;" the form, highly repetitive, is not actually palindromic, although Tavener's end is, in reverse order, his beginning—a 12-note string chord, quietly wound up at the start and wound down at the close, gives off a shimmer that sets the tone of the piece.

The influence of Messiaen is too obvious to require underlining; but instead of bright, assertive bird calls, the music is filled with Tavener's own already recognisable store of sounds, glittering, hieratic, exotically piled up. There are beautiful sounds in *Palintropos*. In a gently meandering piano solo set against sustained string notes of differing lengths and the deep shine of gongs, the heat haze of repeated-note tremolos is a beautiful sound-invention. Beautiful, too, the conjunction, in the Apotheosis (the fourth and final section) of stately brass chords, hand-bells, and a wide-ranging piano part, all independently active above the the sustained string chord.

Elsewhere, and rather too often, there is a suggestion of automatic sound-piling, of the Tavener mixture as before despite the new ingredients, which is a more reasonable criticism to be made of the piece than any concerning its static, repetitive, or slow-moving aspects. The piano solo was precisely and vigorously attacked by Mr. Bishop-Kovacevich; the effect of the performance as a whole was confident, although from my seat balance was sometimes a little unsure, and the important contribution of the celesta had often to be heard with the ear of faith.

Eilene Hannan as Pamina in 'The Magic Flute'

New Theatre, Cardiff

Welsh National Opera

by ARTHUR JACOBS

TThe Welsh National Opera is on the verge of a *Turandot* with Rita Hunter (March 13), an event that promises excitement. Meanwhile a visit last Friday and Saturday to two other new productions of the season was oddly disconcerting. *The Turn of the Screw*, the sixth Britten opera to be added to the company's repertory, was boldly and successfully essayed, but with a producer's superfluous gloss. *The Magic Flute* was clumsily produced, badly spoken, slow-moving, indifferently sung—quite a blot on the company's books.

Dramatically speaking, what Britten has made of *The Turn of the Screw* seems to be mere stuff-and-nonsense. Ghosts as projections of human fears are theatrically tolerable, but not ghosts who appear without humans present, who hold conversation together and quote W. B. Yeats. An embarrassment, too, is the opera's cumbersome double prologue, featuring at first a narrator and then the Governess herself before her arrival at the secene of the haunting. Yet, such is the musical intensity of the score, a fine performance of the Governess's role with strong backing from the other characters can carry the evening.

Such a fine performance—indeed a great performance—we had. I doubt if anything Felicity Lott has done, in Mozart or in Prokofiev's *War and Peace* or in Smetana's *The Bartered Bride*, will come to be ranked with this portrayal of the woman striving by love to rescue the possessed children. Through sheer vocal quality, but alas through clear and meaningful diction and an acting ability which has not always been hers, she communciated the emotion in every bar. The late, much-admired Jennifer Vyvyan made this part her own, and now Miss Lott has succeeded her.

The production by Adrian Slack (shortly to become director of productions for the company) followed his Wexford Festival version of 1976, with flat, uninteresting scenery by David Fielding. Where Britten himself employed a single tenor for both the Prologue and Quint's role, Mr. Slack insists on separating them; even more oddly, he insists on showing the Governess's visions of the ghosts as different from those seen by the children. But since the ghosts "exist," surely the visions should be the same?

If this quirk of Mr. Slack's fails to spoil a fine performance (the opera is being taken on the company's coming tour of Welsh and English centres), the case of *The Magic Flute* is sadly different. The singing is not strong enough to overcome the ineptitudes of Göran Järvefelt's production, in which Tamino is present while the brotherhood discusses his fate, Sarastro saunters on to watch the ordeals, and a priest swills wine while similarly watching. Sarastro exhorts the priests with a gesture to "follow my example." which they do not, and earlier we hear repeatedly of the "lock" affixed to Pagageno's lips when it is seen to be not a lock but a gag.

There are long, unfilled pauses and almost no comic edge, not even in Russell Smythe's decently sung Papageno. There is a poorly imagined stage design by Carl Friedrich Oberle and a clod-hopping translation of the lyrics by Michael Geliot which mis-rhymes "wisdom" with "kingdom," "vengeance" with "repentant." The Three Ladies, who do not blend well, sing the word "adieu" in French fashion and miss the traditional English rhyme with "you:" the Boys (real boys) made many errors of pitch. A wobbly-toned Speaker and almost as wobbly a Sarastro were not adequate, while Margaret Haggart displayed the Queen of the Night's notes but not her venom.

John Treleaven, who has sung a noted Pinkerton in the company's *Butterfly*, has a heavier voice than is advisable for Tamino, and missed the lyric grace of the music. Somewhat desperately I clung to the sane musical qualities displayed by the conductor, György Fischer, to the assured and capable Monostatos (Derek Barnes) and Papagena (Mary Davies), and to one distinguished performance—the Pamina of Eilene Hannan, touching especially in the lower notes and soft ending of "Ach, ich fühl's." Since her Cunning Little Vixen at Glyndebourne, this Australian soprano has shown herself worth looking out for.

Young Vic

Class Enemy

by B. A. YOUNG

Risky, I'd have thought, to revive *Class Enemy* while the memory is fresh of the Royal Court's production that won director Bill Alexander his Hugh Beaumont award. The Oxford Playhouse team under Nicolas Kent run it close all the same. Where they lose points is in their too visible dramatic skill, not quite an adequate substitute for the remarkable spontaneity of Anna Scher's boys at the Court. Mark Wingett as the tough bully-boy "Iron," in particular, steams with passion a little too relentlessly all the evening, though what he does he does with alarming conviction.

The six boys of Form K1, left alone for an afternoon with no one to supervise them, let alone teach, are monsters of vicious irresponsibility beside whom Tucker Jenkins of Grange Hill would seem like Little Lord Fauntleroy. It is Nigel Williams's triumph, however, to reveal their pathos. Sometimes he overdoes it, when he suddenly reveals that the one basically good-natured boy "Skylight" (Jonathan Moore) has both parents blind, though the actual lines in which this fact is told are profoundly moving. Two hours of dialogue in which almost every word is qualified with an expletive do not sicken one of these boys. On the contrary, they inspire, or they should inspire, a feeling that their failings arise not so much from innate evil as from lifelong neglect even by their teachers.

Mr. Williams's ingenious scheme is to have each boy give a short lesson to pass the time. The first one (Peter Lovstrom) naturally chooses sex as his subject, but having quickly exhausted the basic biology relapses into a very funny story about a gorilla. The next (Keith Jayne) gives a sad little talk on window-boxes; the next (Gary Shail) grows hysterical on the theme that "the blacks done it." The friendly black boy "Snatch" (Leroi Samuels) shares his private expertise at breaking windows, and "Skylight" demonstrates how to cook bread-and-butter pudding.

Before "Iron" offers his piece he has already made an angry attack on everyone who wields discipline, down to traffic-wardens, and begun the punch-up with "Skylight" that has been looming all evening. The two have a vicious fight ably directed all over the stage; it is not surprising that when "Iron" gives his lesson it is on self-defence.

From these little cameos the boys' characters emerge with a truth that generated in me a feeling of fierce indignation that there should be so little hope in the world as we know it of their ever growing out of their ignorance and apathy. For all its humour and its violence, the play wrings the heart.

[R]UGBY BY PETER ROBBINS

Disciplined pack shocks France

[IT] WAS inconceivable before [th]e Twickenham game against [Fr]ance that England's much-[ma]ligned XV could have any [as]pirations to winning the home [ch]ampionship. The pessimists [we]re arguing only about the [ma]rgin of the French victory.

England, thanks to a hermetic [de]fence, won a momentous [vic]tory by 7—6. Seldom does [ev]ery player in a team hit top [fo]rm on the same day, but [ba]sically that is what happened [an]d what a marvellous trans[fo]rmation there was in England.

The committment was total. [So] was the pride. It would be [ca]rping to be too critical, [be]cause victory against France [and] Wales is a prize indeed. I [fe]el delighted for the players, [th]e selectors—who have taken [mu]ch a hammering—and for the [co]ach, Peter Colston, whose era [m]ay finish this year.

The match was won essen[tia]lly because the England [pa]ck was disciplined in all [ph]ases. There had been doubt [ab]out the mobility, but England [w]ere able to get to the break[do]wn more quickly and in [gr]eater numbers than the French.

Neary and Rafter matched Rives in speed to the ball and Scott was only fractionally behind them. These three choked innumerable French attacks. Their defence at times was quite heroic.

Smart Strong

Scott, hitherto never convincing as a No. 8, had a magnificent game and played most unselfishly. Neary has rarely played with more strength, and the success of the back row was germaine to England's victory.

They may have been slower than Rives in support, but then the French captain is an exceptional player and had a lot more to support.

Technically, then, England were vastly superior in the loose, where Smart, the new cap, burrowed prodigiously. Beaumont and Horton were gigantic in the provision of a safe platform, and Wheeler and Pearce were self-sacrificient.

France varied their line-out ploys, but Horton, England's Trojan Horse from Toulouse, read them well. He and Beaumont had a masterful afternoon, to the despair of Haget and Maleig.

This French second row could not give enough support to the props, Vaquerin and Paparemborde, to dislocate the English scrum consistently. If France wheeled then Scott protected Kingston with intelligence and finesse, aided by Neary and Rafter. The hand-to-hand exchanges were bitterly contested and eventually won by England.

Another key factor was the vast improvement in England's half-back play. Kingston's service to Bennett was reliable and Bennett, apart from early eccentricities kicked with great precision sending France on the retreat time and again. His length of kicking was utterly demoralising to the French.

If primarily involved in defence, the England three-quarter line functioned much more satisfactorily than against Scotland. Slemen again made much of nothing, and Hignell, with his intrusions into the line, commanded the attention of the French back row.

England had several crises to face. But Joinel and Rives, who had punctured the Welsh defence in Paris, were quickly tackled.

When France did have the ball, Dodge and Cardus (a great success in his first international) came up ruthlessly. Hignel brought off the save of the match with a brilliant tackle on Costes and his final reliability was of the utmost value.

Let off

The worst moments for England came near the end, when they were leading 7—0 through a penalty by Bennett and a superbly taken try by the same player. In desperation France began to run every position, and Rives goaded his pack into frenzied efforts. France did score a most inventive try eight minutes from time, by Costes, and Agruirre converted it to heighten the tension.

France will rue the fact that Aguirre missed four penalties. They played the more adventurous rugby, enlarged their circle of admirers, yet gave away a lot of silly penalties.

SOCCER BY TREVOR BAILEY

Ipswich hit form at right time

IPSWICH, who defeated Arsenal in the final at Wembley with such style, experienced a bleak, barren period early this season, but, having rediscovered form and enthusiasm at exactly the right time, now suggests they could well be on their way to further honours.

They are in a purple patch, having beaten Everton at Goodison Park, gained a further two points away from home at Derby, and swept Bristol Rovers out of the FA Cup.

On Saturday this friendly Suffolk club met Nottingham Forest, unquestionably one of the strongest teams in Europe. A splendid match provided ideal preparation for perhaps the most vital seven days in Ipswich's history, as their next two home fixtures are against Barcelona in the European Cup Winners' Cup on Wednesday, and Liverpool in the FA Cup next Saturday.

Although the Forest game ended in a 1—1 draw through two untidy goals, Ipswich created the more positive scoring chances, and played with skill and zest.

The revival clearly owes much to Muhren, the calm, cultured left-hand member of their mid-field trio. And once Thijssen, their other signing from Holland, who was making his first appearance before home supporters, has become fully acclimatised they should become even more effective and entertaining.

Both Dutchmen are essentially creative half-backs, so bringing additional variety and flexibility to the attack. Since the days of Viljoen the club's midfield has been over-populated by busy, scurrying harriers who have depended too much on physical effort and the short quick pass for the first-time return.

The handful of foreign players in English League football are adding something to the game, but a really large influx would inevitably have an adverse effect on English football, as has already been seen in cricket.

After the match Bobby Robson was understandably well pleased with his team's performance. Mariner had led his forward line with the dash and the tight control of an international class centre-forward, while his young, forceful partner Brazil, though still rather crude, is a fine prospect.

The two youthful centre-backs proved hard and uncompromising, while Wark, a goal conscious half-back, would have won the game if Shilton had not been at his most agile. Woods caused many problems as a hard-shooting, roving winger.

Forest are unlikely to retain their League championship, which now seems destined to return to Anfield. Although not scoring as frequently as last season, they must be favourites for both the European Cup and the League Cup.

Brian Clough's £1m signing Trevor Francis played an unimpressive first full game for his new club. Trevor seldom touched the ball, was unceremoniously dispossessed when he did, and within five minutes the home crowd were happily singing "What a waste of money."

Francis was not as effective as his partner, Birtles, or his opposite number, Mariner. It will probably take him at least six weeks to settle down and to know where to move off the ball, and just as long for his colleagues to find him instinctively. Inevitably he must prove a considerable asset, because he is a quality performer. After several years with a team whose main concern was first division survival, the new challenge, plus Brian Clough, will supply Francis with plenty of motivation. What must be doubtful is whether he will ever be worth £1m even if inflation were to treble in the next three years.

Forest will never get the money back through the turnstiles.

As a slightly-built member of a double spearhead who possesses neither the height nor the strength to be employed as a target man, Trevor is very dependent on the service he receives. On Saturday this was unexceptional.

Could it be that the goal famine experienced by centre-forward Woodcock, whose place Francis has taken, was largely due to the departure of the tall Withe, off whom he fed so well last year?

There was much to admire about Forest, including their well organised defence, the ever busy Gemmill, the pace with which O'Neill came up in support of his forwards, and the confusion Robertson caused down the left flank, especially in the first half.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 886341/2, 883897
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Monday March 5 1979

An election soon

IF MR. CALLAGHAN, the Prime Minister, is a brave and prudent man, he will now be preparing for an early general election. For whatever else may be said of the results of the referendums in Scotland and Wales last week, there can be little doubt that they make the Government's survival more difficult. Mr. Callaghan may yet get by on a series of narrow votes and with the support of some of the minority parties, but the chances of his being brought down on a straightforward confidence motion have risen substantially.

Platform

At the same time, it is not as if the Government has any major legislative programmes left to introduce. The two issues that have dominated this Parliament have been incomes policy and devolution. On the first the Prime Minister may have suffered a defeat by the rejection of the 5 per cent norm in the current round, but he has recovered some ground from the agreement with the trades unions which the Government always said it wanted to reach. The Concordat, as it is sometimes called, is a perfectly reasonable platform on which to fight a general election.

As for devolution, the Government is entitled to say that it has tried hard. Not so long ago, the demand for special treatment in Scotland and Wales was widely recognised as one of the key elements in British politics, and was accepted as such even by the Conservative Party. The attempt to meet the demand has now been overwhelmingly rejected in Wales and accepted in Scotland by barely one-third of the electorate. Yet it would be wrong to blame the Government for its efforts. There was a problem, and the Scotland and Wales Acts represented the best that this Parliament could do to meet it.

What would be entirely wrong, however, would be for the Government to seek to press ahead with the Scottish Assembly despite the referendum result. There is no realistic way of interpreting that result except as a defeat for the kind of devolution proposed. The Scottish electorate was fully informed of the issues at stake and indeed had been bombarded with publicity for weeks. But in the end nearly 40 per cent of the voters decided to stay at home, the "yesses" scarcely outweighed the "nos," and whole areas of Scotland voted solidly against. That is not a basis on which to try to build major constitutional change.

It seems likely that the Government would be defeated in such an endeavour, even if it were to make the attempt. It is not only the Labour anti-devolutionists who would deny their support; there are other Labour MPs who would think twice about backing a cynical exercise in remaining in power for a few more weeks at the price of appeasing the Scottish Nationalists. Mr. Callaghan could try it, but it would be a squalid affair even if he were to pull it off, and certainly that is how it would be seen in the country.

The wiser course for the Government would be to accept that devolution as proposed by this Parliament had been rejected and to promise to think again. There is nothing dishonourable in that and, in fact, a wise Conservative Party would be applying its mind to the same subject, for there is no reason to believe that the problems posed by Scotland and Wales have disappeared for good.

Yet, on devolution as on incomes policy and the wider question of the economy in general, one cannot escape the impression that this Government has come to the end of its tether. It can stand on its record and think about the future. That means preparing for a general election in the next few weeks. The alternative is to try to soldier on with the support of this or that minority party, but with nothing left to promise and always the risk of being ignominiously brought down in the House of Commons. Such a state of uncertainty cannot be good for the country; nor would it necessarily help the Labour Party.

Censure

As for the Conservatives, their own best course now would be to wait a week or so for Mr. Callaghan to declare himself on the referendum results. But if the Prime Minister then still ducks an appeal to the country, the censure motion need be simply stated: "That this House has no confidence in Her Majesty's Government." It could be lost, but if Mr. Callaghan does not pre-empt, it deserves to be tried.

The same again in Spain

THE FOLLOWERS of Sr. Adolfo Suarez, the Spanish Prime Minister, are understandably pleased with the outcome of last Thursday's general elections, the first to be held under Spain's new democratic constitution. With considerable justification, they see the vote as endorsing the moderate but reformist line that Sr. Suarez has followed in steering the country through the difficult aftermath of dictatorship to full parliamentary democracy. The Prime Minister's centre-right party, the Democratic Centre Union (UCD), may not have succeeded in gaining the absolute majority it had hoped for. But it has consolidated its position as the largest single Parliamentary grouping, and Sr. Suarez can now look ahead to at least four further years in office if he plays his cards correctly.

Socialists

The main cause for satisfaction at UCD headquarters has been the failure of the Socialist Workers' Party (PSOE), under its leader Sr. Felipe Gonzalez, to make the major gains that many commentators and opinion polls had forecast. On the eve of the elections last week, it was still being confidently predicted in some circles that the PSOE, the main opposition party, would catch up with or even overtake the UCD. But the most striking aspect of the results was the Socialists' inability to make any marked changed in the overall balance of power.

In part at least, this must have been due to Sr. Gonzalez himself, who has failed to convince the country at large that he is a credible alternative Prime Minister to the suave Sr. Suarez. But the principal reason has undoubtedly been the PSOE's tame performance as, at least theoretically, an opposition party over the past 18 months. In many ways, this has been to Sr. Gonzalez's credit. By giving their support, together with that of the Communists, to Sr. Suarez's minority Government, Sr. Gonzalez's Socialists have helped to ensure a smooth transition to democracy in what might otherwise have been an explosive period. But, in doing so, they have failed to establish any clear distinction between their own policies and those of Sr. Suarez. They are in danger of allowing the Communists, who have confirmed their position as the third biggest party, to emerge as the true voice of the Left.

If that were to happen, the scene would be set for the Communists to follow the path already successfully trodden by their comrades in Italy. Indeed, Sr. Santiago Carrillo, the Communist leader, has already hinted at a Spanish version of the Italian "historic compromise." On the day that the election results were announced last week, he suggested that Sr. Suarez should continue with a minority centre-right Government that would stay in power by dint of only pursuing policies acceptable to the Left. It can only be assumed that Sr. Gonzalez, aware of the danger, will conduct a much more vigorous opposition to Sr. Suarez in the new Parliament.

A greater degree of confrontation is in any case likely in the months ahead. Sr Suarez has clearly indicated that he does not intend to renew the former arrangement under which he was prepared to negotiate agreed policies with the Socialists and Communists in order to proceed by consensus. One way of assuring a Parliamentary majority would be to form an alliance with the small right-wing Democratic Coalition. But in view of the electorate's manifest rejection of the extreme right last week, Sr Suarez is unlikely to want to take this course.

Unemployment

Despite his success last Thursday, Sr Suarez's task will be by no means easy. He may well find difficulties in governing without a majority in the face of stepped-up opposition. He has not yet experienced the rough-and-tumble of totally unfettered democracy. The success of regional parties last week has confirmed the intractability of the problems threatening the country's unity—most ominous being the high level of support for the militant left in the Basque country. Next month, the country will again be going to the polls in important municipal elections. It looks as if Sr Suarez is going to be hard put to find the time to tackle the entrenched problems of inflation and unemployment that he promised to solve in his election campaign.

DEVOLUTION VOTES: THE AFTERMATH — BY RAY PERMAN, SCOTTISH CORRESPONDENT

Why the SNP is jubilant

IF THE referendum result could not have been worse for the Prime Minister, it could not have been better for the Scottish National Party. After 18 months in the political wings it is back on centre stage, united by the one issue that can unite it: "Scotland is being robbed by London."

The 450 delegates to the policy-making national council, which met in Dundee on Saturday, were jubilant. The schizophrenia over devolution is ended and the prospects are that within a short time the party, which relies on campaigning to maintain its momentum, will be fighting a General Election.

The SNP will play a crucial role in the negotiations about to open which will determine the life of the Government. The party will not strive to keep Labour in power at all costs in the hope of getting devolution through. Indeed, pressures are already building up to cut loose from the whole idea and go for a quick General Election.

Those who expected the SNP to be demoralised by the failure to reach the 40 per cent requirement in the referendum have believed too much of the propoganada put out by the No campaign. It was one of the successes of the anti-devolutionists that they managed to equate devolution with nationalism. But the reality was different and to no one was that difference more apparent than to the National Party itself.

Whatever one thinks on other grounds of the Government's proposal to set up a Scottish Assembly with limited powers over domestic affairs, as a tactic for defeating the SNP it was remarkably successful. It did not "appease" the party, as many of the No campaigners claimed it was intended to do—it cut the ground from under the Nationalists' feet.

The SNP was forced to accept devolution because it recognised there was no way it could credibly go on campaigning for Scotland to have complete control over its own affairs, if it rejected the offer of control over some of them. The party attempted to incorporate the assembly into its own strategy for independence by saying that once Scots got the taste for home rule they would want to go the whole way.

But the argument never rang true and to many in the party devolution was a dangerous irrelevance.

The fear of the hardline independent men was that far from getting the taste for more, Scots would be only too satisfied with the little responsibility which the Assembly offered them. More immediately, party leaders saw their own rank-and-file activists devoting their energies to the devolution campaign at the expense of the long, slow slog to win hearts and minds for independence. Some respected members of the party, including Mr. Neil MacCormick, professor of public law at Edinburgh University, son of one of the founders of the SNP and brother of the Nationalist MP for Argyll, made no secret of the fact they saw limited home rule as being an end in itself.

Trounced by Labour

The misgivings were reinforced by the electoral evidence. Where as SNP support in the opinion polls jumped when the first devolution Bill was killed by the Commons, in 1977 it began to decline steadily as the second Bill made its way through Parliament. In three by-elections last year the Nationalists were trounced by Labour, which fielded in each case a strong pro-devolutionist as its candidate.

Now, that fear is all but banished. Within the next few days SNP leaders will put to the Government the ultimatum approved by acclamation by the National Council: either coerce reluctant Labour backbenchers into line to pass the devolution Act, or face an immediate General Election.

Only the time limit to be allowed the Government is still undecided within the party. But the difference in opinion is marginal: the more moderate would give Mr. Callaghan a month to get the Scotland Act on to the statute book—most of the others no more than one or two weeks.

A key figure in the coming negotiations will be Mr. Gordon Wilson, MP for Dundee East, a fundamentalist as far as independence is concerned. His star has been rising in the party and he is expected to be elected overwhelmingly as its next chairman at the annual conference in May. He said yesterday that the prospect of devolution now being killed by the 40 per cent rule was like a load being lifted from the back of the SNP. "There was a difference of opinion within the party over the assembly, and we were caught in the middle stream. We are now back in a fighting mood again and you will see a great change in the campaigning attitude of the party over the next few weeks and months."

Mr. Wilson argues that the 1.2m Scots who voted for devolution will feel aggrieved if Westminster rejects the measure because it fails to satisfy a novel constitutional principle. The sooner the election comes the stronger that grievance will be. "March 1 was a threshold: we broke through a psychological barrier by getting a majority of people to vote for home rule. If the House of Commons now turns it down we will have material for campaign after campaign. Parliament had better look very carefully at what it does if it is going to avoid the mistake made so many times during the history of the British Empire, of giving too little too late.

Confidence alone will not be enough to win the SNP the next election. The latest opinion poll, in the Glasgow Herald last week, put SNP strength at 18 per cent compared to 40 per cent for Labour and 37 per cent for the Conservatives. On this showing the Nationalists could lose many of the 11 seats they won—mainly from Tories—in 1974.

Mr. Stephen Maxwell, a vice-chairman, believes that the loss could be as high as 5 or 6 seats. "There is no dobut that many of our activists would be far happier campaigning on a straight anti-London issue than on oil, or economic policy—it is a gut nationalist issue, but that does not mean to say that the public will accept it.

"Even if we do lose strength, we must remember that in 1970 we lost Hamilton and were down to one seat in Parliament: the Western Isles. Within 18 months we were building up support again. Many of the same basic factors apply now, the economy is on the decline and there will probably be a Conservative Government in power."

Mr. Wilson is less pessimistic. There will obviously be no SNP landslide, but the party has shown before that it can improve on the opinion polls during an election campaign and he points out that 18 per cent is more support than the SNP was given at the start of the February, 1974, campaign.

"We could lose a few seats but we will pick up some in other areas. Our tactics are not just for now, but for two or three years from now. So far most of the economic fallout votes have gone to the Tories. I have been pressing inside the party for more emphasis on that. What seems to have been forgotten is that even if there had been a No majority in the referendum, there would still have been a substantial minority which voted for devolution but did not get it. The danger for Westminster is that the situation will fester.

"It can only be good for the SNP that we have now got ourselves in a monstrous constitutional tangle and the issue will be sitting on the desk of the incoming Prime Minister."

Preparing to put regional reforms back on the shelf

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

A week ago it looked as though Britain could be on the verge of its first major constitutional change since 1920, when the Government of Ireland Act gave Ireland two Parliaments, one for the south and the other for the six counties which became Northern Ireland. This morning, there is considerable doubt whether any further change affecting the relationship between Westminster and other parts of Britain is likely for years to come, possibly even in the remaining years of this century.

The only other important constitutional change which has been undertaken since 1920 is the decision to join the European Economic Community. That referendum, held on June 5, 1975, produced a clear-cut decision: 65 per cent of those voting accepted the recommendation of the Government that Britain should enter. Since then, the effects of "Europeanisation" have begun to be felt increasingly in all forms of life.

Had either Scotland or Wales voted clearly to accept the provisions of the two Acts which would have established assemblies in Edinburgh and Cardiff then there would have been quite considerable changes in the pattern of government in Britain and especially in the relationship between London and the regions.

These changes would not have been confined to Scotland and Wales. Parts of the north of England have been murmuring about the need for a greater say in their own affairs; they viewed the accretion of power by a Scottish assembly as something which could only be counteracted by being given more power themselves. Similarly, in Cornwall there has been agitation for more attention to be given to what are seen as the area's own special problems.

It is time that these voices represented a very small minority in the areas concerned. But they would have grown louder, and probably more influential, if devolution had come to Scotland and Wales.

Radical change put back

Of course, Scotland might still get an assembly. A majority of those who voted in Scotland, albeit a narrow one, did say Yes and the Cabinet might decide that it can persuade the House of Commons and the House of Lords to repeal the Orders which will now have to be laid. But this looks unlikely and the probability is that radical change in the government of the regions will have been put back.

There are important constitutional authorities, such as Lord Kilbrandon, who headed the Royal Commission on the Constitution, which reported in 1973 after sitting for four years, who believe that it is impossible to turn the tide. They believe that there is a need for the regions to be given more say in the government of their own affairs and that the case for it will eventually gain recognition despite last week's votes.

The more general view, though, is that assemblies are dead. The subsequent question is: what happens now?

The answer to that very much depends on which party gains a majority at the next election. If it is Labour it will almost certainly attempt to appease its supporters by a further measure of local government reform. If Mrs. Margaret Thatcher leads the Tories back into Downing Street, then there is little prospect of any changes in the town halls.

Labour, along with most independent observers and not a few Conservatives, believes that the reform of local government put through by Mr. Peter Walker in 1972-73 was a disaster, containing an element of gerrymandering, a diffusion of services and an unnecessary inflation of the whole edifice.

Mr. Walker abolished the structure of parish, rural, district borough and county borough councils in England and Wales and substituted district councils. At the county level there were amalgamations in places—Hereford and Worcester became one council—and in others new councils were created, such as Avon. In addition, a tier of superior metropolitan counties, such as Greater Manchester and Merseyside, were brought into being. A similar reorganisation, but creating nine regions in place of the counties, was also introduced in Scotland.

Mr. Peter Shore, Secretary for the Environment, has already tinkered with the system by introducing a measure of "organic" change in the powers of the nine major English boroughs in January.

During the devolution campaign, Mr. John Morris, the Welsh Secretary, made great play of the fact that the first thing a Welsh assembly would have to do would be to reform Welsh local government.

The thinking is that the two-tier structure of eight counties and 37 district councils in Wales would have been reorganised into one tier of a reduced number of district councils, probably between 25 and 30. But Mr. Morris's standing has been badly devalued by the referendum because he was among the leading proponents of it within the Cabinet; the result has shown that he judged the mood of the Labour party machine in Wales even worse than that of the electorate.

JOHN MORRIS
. . . misjudged moods

TEDDY TAYLOR
. . . reforms still necessary

FRANCIS PYM
. . . conference suggestion

There has not been such a strong call for reform of local government in Scotland because Labour managed to win control of the two major regions—Strathclyde, which takes in Glasgow and has around half the population of Scotland, and Lothian, which includes Edinburgh. Surprisingly, it is some Conservatives, such as Mr. Teddy Taylor, the Shadow Scottish Secretary, and the Scottish National Party, who are among those who believe that some reforms of local government will be necessary. This is not a view, though, that is likely to meet with much sympathy from a future Tory government.

If there is to be any change in local government, the one beneficiary could be Northern Ireland. Since direct rule the six counties have been without any effective local government and it is widely considered that now is the time to do something for the province. Northern Ireland could be the beneficiary of any change of thinking in the rest of the United Kingdom.

The one other almost universally accepted point to come out of the devolution debate is that any change in the constitution needs to be carefully thought out and not introduced at random into a House of Commons late at night or under the threat of a guillotine. Mr. Francis Pym's suggestion, made when he was leading the Tory opposition, of a constitutional conference headed by the Speaker of the Commons, or a senior law lord, has gained increasing acceptance.

MEN AND MATTERS

An English palace rocks Riviera

An elderly Englishman is sunning himself in the Virgin Islands, gratified at having scored one of the most remarkable coups ever achieved in contemporary European architecture. Sir Hubert Bennett, 69, has won the competition for the design of the Festival Palace in Cannes—a huge casina and conference centre project.

"Of course, I was delighted with the news," said Bennett, on the telephone from his Caribbean retreat. "I was competing against 120 of the world's leading firms of architects."

In France, the Cannes contract carries as much prestige as did the Pompidou Centre in Paris (and that was also won by an English design). But Bennett, a former GLC chief architect, has astonishingly floored all rivals after eight years out of a professional practice and while not even a member of the Royal Institute of British Architects.

He explained to me that he was obliged by the regulations to resign from the RIBA when he became an executive director of the English Property Corporation in 1970. But since the Cannes competition was outside Britain, there was nothing to stop him entering it.

He now heads a mainly French team of architects, Groupe Mediterranée, charged with having the Cannes project completed by mid-1982. What will it cost? "Perhaps £15m. It is impossible to predict." The latest forecast from Cannes is £23.5m.

While Bennett suns himself before returning to re-join the RIBA and plunge into his Cannes chef-d'oeuvre, he is doubtless glad to be right out of the takeover battle in which the English Propetry Corporation is locked. "But I greatly enjoyed my time with EPC," he insists.

Bennett also seems blissfully unaware, beneath the palm trees, that his design is arousing controversy on the Riviera. The "Association for the Site and Bay of Cannes" protests that it will disfigure the panorama and mean demolishing an existing, ornate municipal casino building and a nineteenth-century theatre.

But the Cannes authorities fear trailing behind Monte Carlo, which has just opened a vast conference centre. They want the old casino and theatre pulled down by September. "My design is for a free-standing building that has to be seen from every direction," says Bennett. It will have a main auditorium seating 2,800, ten smaller conference halls, a new casino, underground car parks and a bus station.

Although Bennett's credentials are impeccable, if slightly distant notably the South Bank Arts Centre and Thamesmead) some leading French architects are already weighing in against him. They point out that the western face of his Festival Palace will be mainly brown glass, and prophesy that on hot afternoons the occupants will be broiling. But maybe that can just be put down to French pique, at being bested once again by an Englishman.

"Howell to the rescue again?"

Fun city

One or two recent items in this column may have given the impression that Rio de Janeiro is a rough place; so I am glad to report that there were fewer deaths this year in carnival week. Only 130 people were killed, as against 148 last year, and a mere 20,000 were injured. Although 50 buses were attacked and damaged, this was only done by merrymakers eager to get to the heart of the jollity.

One Manx, one vote

Although the rest of us may be suffering from a post-referendum *tristesse*, the Manx are by no means discouraged. This week in Douglas a Bill coming before the House of Keys will allow referendums on any topic of public concern. If passed, it will probably result, first of all, in a vote on birching—which the island still engages in despite complaints by the European Parliament.

Out to grass

While politicians occupy themselves with more weighty subjects, such as getting elected, the European Commission has scented the approach of spring and put out a draft directive on lawnmower noise.

A marginal subject, one might suppose, but the Commission tells me: "The lawnmower trade in the Community is a small but flourishing one, employing approximately 10,000 workers"; and consumers are said to spend £180m a year keeping their lawns in trim.

A uniform hum in the suburbs is promised by New Year, 1986, when it is recommended the directive should come into force. Before then, there will no doubt be further kinds of noise—as have already occurred in the House of Lords—from manufacturers arguing that relative silence and a well-razored lawn do not go together.

Road-worthies

Are the nationalised industries havens of idleness, where a feeling of being feather-bedded saps the will? One man who disputes this commonly held view is Sir Frederick Wood who, as I reported last week, has just become chairman of the National Research Development Corporation.

Looking back after eight years in the Chair at the National Bus Company, he declares: "A lot of calumny is cast at the heads of those in nationalised industries by people who know nothing about it."

He went to National with jeremiahs telling him that buses were a dying industry. "But it's now the biggest bus company in the world—five times the size of Greyhound in America. I am a private sector man, but the executives I worked with there would hold their own anywhere."

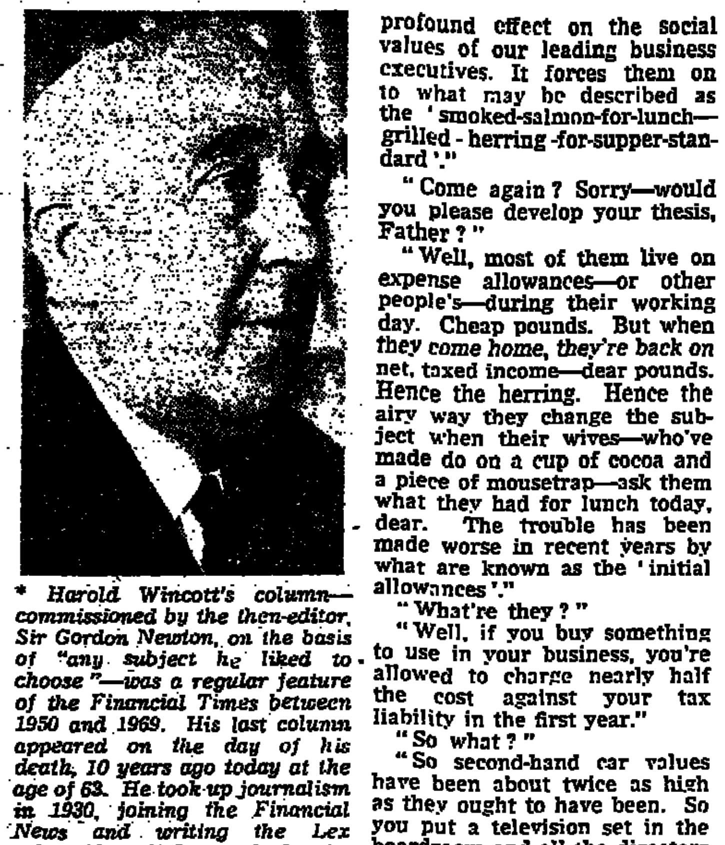
Hot milk

The week's prize for initiative must surely go to the striking New York milkman who managed to set light to 600 cartons of milk that had been delivered by a blackleg.

Observer

*As a tribute to **Harold Wincott**, the Financial Times columnist who died ten years ago today, we reproduce a column composed by him on December 4, 1951. The melody lingers on ...*

Two Pounds revisited



* *Harold Wincott's column—commissioned by the then-editor, Sir Gordon Newton, on the basis of "any subject he liked to choose"—was a regular feature of the Financial Times between 1950 and 1969. His last column appeared on the day of his death, 10 years ago today at the age of 63. He took up journalism in 1930, joining the Financial News and writing the Lex column both before and after its merger with the Financial Times at the end of the war. He was also Editor and Editor-in-Chief of the Investors Chronicle.*

...WS THE article going, ..."

...Vell, I've written the head-...

...What's that?"

...wo Pounds."

...Why not 'Forty Bob'?"

...Because I don't mean 'Forty ...ings'. I mean 'Two ...ds', two different sorts of ...ds."

...You're not going to give 'em ... old stuff about the fifty-... different external values ...terling? The Heinz line?"

..'ll thank you for a little ... respect, my lad. I'm not ...e habit of giving them 'old ...' as you call it. What I had ...ind is a philosophical dis-...tion on the different values ...hed internally to a ...ency in the modern Socialist ... How such differences ..., their social and economic ...equences, the damage they ...nd so on."

...or."

...Now if—*if* I repeat—I were ...ive you, as my son, five ...ds as a Christmas box, they ...d be five dear pounds."

...How come?"

...Will you stop using these ...isting expressions? They ...d be dear pounds because ... would come from my net ...l income—and as you may ...ay not know, my net taxed ...me is so small that it is ... precious. Very dear, in ... But if you were my office ...and I gave you five pounds ... Christmas box, they would ...heap pounds."

...Why?"

...Because, you dolt, the firm ...d charge the five pounds as ...nses against their tax ...lity. So it would cost them ... about two pounds ten. If ...were office boy to a firm of wealthy and successful stock-brokers, the five pounds might cost them 2s 6d. Now do you see?"

"Any of your prosperous pals on the Stock Exchange looking for an office boy, Dad?"

"The existence of these two sharply differing internal values for our currency has a profound effect on the social values of our leading business executives. It forces them on to what may be described as the 'smoked-salmon-for-lunch—grilled-herring-for-supper-standard'."

"Come again? Sorry—would you please develop your thesis, Father?"

"Well, most of them live on expense allowances—or other people's—during their working day. Cheap pounds. But when *they come home, they're back on* net, taxed income—dear pounds. Hence the herring. Hence the airy way they change the subject when their wives—who've made do on a cup of cocoa and a piece of mousetrap—ask them what they had for lunch today, dear. The trouble has been made worse in recent years by what are known as the 'initial allowances'."

"What're they?"

"Well, if you buy something to use in your business, you're allowed to charge nearly half the cost against your tax liability in the first year."

"So what?"

"So second-hand car values have been about twice as high as they ought to have been. So you put a television set in the boardroom and all the directors are missing when Australia plays England. So your Uncle Maurice has completely mechanised his stockbroking business. So your cousin Percy has bought new cash registers for every branch in his chain of shops. So farmers buy a lot of tractors and stuff they don't really want and can't really afford. So the inflationary pressure in the economy has been enormously increased."

"But didn't I hear you telling Uncle Maurice the other day that these initial allowances were going to stop?"

"Yes dear. That's why he mechanised his business, pretty darned quick. You watch what happens to second-hand car values next April."

"But so soon as the initial allowances have stopped, EPT will be in operation, won't it Dad?"

"Yes, before in fact."

"Then the firm that's paying EPT will have lots of cheap pounds. Far more even than *with initial allowances. They'll* charge everything 100 per cent against tax, instead of a measly 40."

"Son, one of these days you'll go a long way. You are, if I may say so, a true product of this modern age."

"Oh, come off it, Dad. You've got to move with the times. But go on with your disser-what-you-may-call-it."

"Well, the existence of these cheap pounds in the hands of a relatively small section of the community creates a great deal of envy, covetousness and bad feeling among what the Socialists love to call the under-privileged classes. You see, they tried 19s 6d surtax, dividend limitation, capital levies, almost everything they could think of. But still the boss bowled up in his Bentley to lunch at Claridges. The trade unionists didn't like it."

"But if the boss can't have his Bentley and his lunch at Claridges, why should he bother to be boss?"

"That, son, is the crux of the matter. It's all a question of what we call 'Incentive.' What the *Economist* dubbed 'the carrot.' Because we've all got so few dear pounds, we all do our utmost to command cheap pounds. Why, Mr. Attlee, who doesn't believe in financial incentives at all, made more cheap pounds for himself than any other Prime Minister in British history. Russia, strangely enough, learnt wisdom years ago. She's always used the stick. But she found the stick alone wasn't enough. So she went back to the carrot. There's a book in my study by a man called Wendell Willkie which describes what the boss in Russia gets; what he got even in war-time."

"And what does he get, Dad?"

"The Russian equivalent of a Bentley to take him to his lunch at Claridges. Only the Russian boss gets it without any suggestion of fiddling."

"Well, why don't we take a leaf out of the Russians' book? It seems to me that all cheap pounds do is to make people spend a lot of money on things they wouldn't otherwise buy."

"Precisely. I couldn't have expressed it better myself. But before you can get rid of cheap pounds, you've got to reduce taxation. And before you can reduce taxation, you've got to reduce excessive government spending."

"I see. But you haven't got very far with that article, Dad."

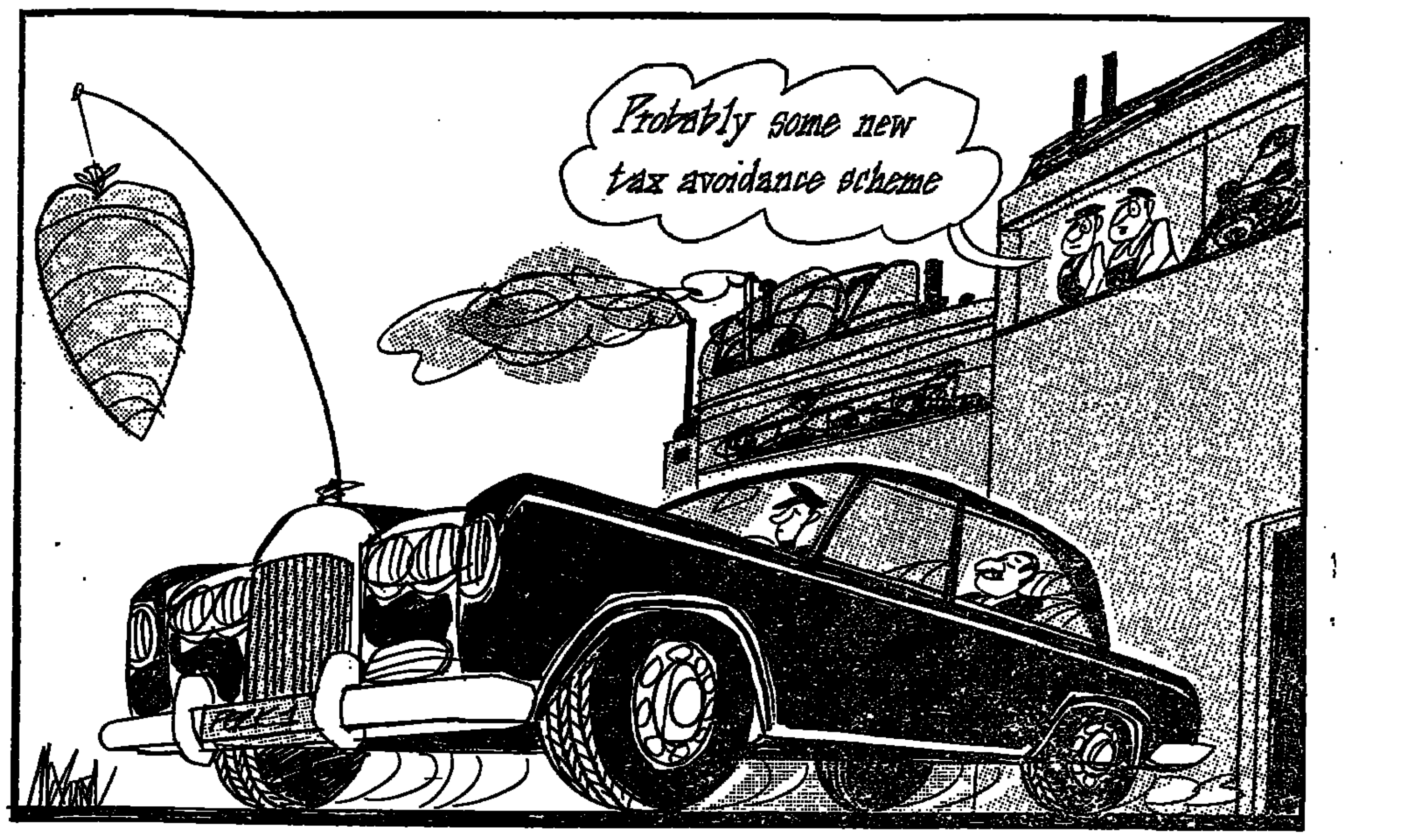
"No, son. Still only the heading."

"But it sounds like a good article. Why don't you get on with it?"

"*Because I can't see how it's going to end.*"

"The article, or excessive government spending?"

"Both, son."



Letters to the Editor

...illjoys in ...russels

...Mr. M. Whitmarsh

...—I, and I am sure many ...sands of my fellow citizens ...e EEC were appalled to ... (Feb. 27) of the move to ...sh duty free allowances ...n the Community and thus ... duty free shops.

...ile one can understand the ... and in many cases neces-... for harmonisation of the ...nalies of law and practice ... exist, there are many areas ...e a difference is desirable ...t essential in order to main-... the individual characters of ...ber states. In my view, and ...ow I am not alone, it is not ... point of the Community to ... an all pervading confor-... Duty free shops cannot, ...urse, be classed as a feature ...national characters, but I ... strongly that the present ...em is an area that should ...etained. There are several ...ts to consider.

...e revenue of airport and ... shops is colossal. To do ...y with this lucrative source ...income can have only one ...t — a rise in passenger and ...ght fares. I believe some ...orities calculate as much as ...er cent. Surely this is hardly ...ise move when the Com-...ity and the whole world is ...ling against inflation.

...he article to which I refer ...es that the Governments of ...ain members, notably ...nce and Belgium, derive ...e direct financial advantage ...n these sales. This may be ...but it is beyond doubt that ...vidual businesses in the ...nnel ports of France, especi-... Boulogne, Calais, and ...ppe, do benefit tremen-...sly. This comes from the ...nding power of the large ...nber of citizens from the UK ... take advantage of the cheap ...s-Channel trips provided by ...tish Rail, SNCF, Normandy ...ries, etc. which run through-... the year. I, and many of my ...nds, take trips to Boulogne ...e or four times a year ...nding an average of £10-15 ...person per trip in French ...ps and restaurants.

...ultiply the number of boats ...ing a day (3 or 4 on average ...BR alone) holding at a con-...vative estimate some 500 ...ple each, by the number of ...rators and a spending power ... say £10 a head and by any ...ndards one has a consider-...e annual income to French ...inesses with the tax spin-off ... the French Government. ...ile this cross-Channel trade ...uld obviously not cease it ...uld understandably be dras-...ally cut if duty free shops ... concessions were with-...wn. For that is the reason ...y the majority of people go. ...is I can guarantee from ...eral years' experience. As ...asant as a day in France ...y be, if these concessions ...re not available many thou-...ds would stay at home.

...There is also the purely per-...al angle: People enjoy the ...ling of "beating the system." ...am afraid that the already ...newhat dented "human face" ... the EEC would take another ...ock in the eyes of many ...itish people. As a supporter ... the ideals of Great Britain's ...mbership of the Community, ...is my view that the EEC just ...nnot afford such continued ...d publicity. This is a piece of ...oposed legislation that even ... simplest soul can under-...and and he will put it down as ...other killjoy act by an ever ...reasingly impersonal bureau-...acy, even though the spirit of such legislation may not have this intent.

M. J. Whitmarsh,
38 St. Stephens Avenue,
Ashtead,
Surrey.

Hydrogen fuel cell

From Dr. M. Gillibrand

Sir,—The TV programme Horizon (February 26) identified the capability of hydrogen to meet the needs of our industrialised society for an alternative fuel for motive power. It was clear from the programme that the most recent progress in this field is as a result of work being carried out in the U.S. and Germany, and that there was virtually no British contribution. This is unfortunate since it was the invention of the hydrogen fuel cell by a British engineer, Mr. Francis Bacon, which initially demonstrated the suitability of hydrogen as a fuel. It does appear that once again other countries may soon be reaping the benefits of British inventiveness.

It is also relevant to recollect that British scientists within the Chloride group of companies were probably among the world leaders in development of the hydrogen fuel cell for industrial trucks by the early 1970s. At that time the group had developed a prototype industrial truck which had operated successfully for many months. At that stage, however, the company cancelled the programme but not before a film record had been made of the truck's performance.

I understand that the company's view is that the sodium sulphur battery was a more practical system. According to the latest annual report: "Most of the basic research and production engineering problems have been overcome and field trials of a battery fitted to a road vehicle are scheduled to start before the end of 1978."

The successful development of either of these systems would demonstrate the ability of British scientists and engineers to once again be in the van of technological innovation. It would have immense implications to our energy policy apart from the undoubted benefits it would bring to the shareholders of the company. Consequently I have asked the chairman of Chloride to make a short film of the performance of the sodium sulphur vehicle, similar to the one made of the fuel cell truck, to be shown to shareholders immediately at the conclusion of the annual general meeting in August. Shareholders will thereby be able to form their own opinion of the potential of the two systems and use their influence not only in their own interests but in the interests of the nation.

(Dr.) Maurice Gillibrand.
Erlesmere,
7, Rutland Road, Ellesmere Park,
Eccles, Manchester.

The outlook for coal

From Mr. T. Skeet, MP.

Sir, — David Fishlock (February 20) advanced the case for a merger of the British Gas Corporation and the National Coal Board, but it is doubtful whether this would prove a satisfactory marriage. There are several reasons for this. Synthetic natural gas may indeed be produced from coal, but it does not follow that ultimately UK coal will be used, particularly if the price continues to escalate. After all, Mr. Fishlock observed that it was cheaper to carry coal from Australia to Newcastle (UK) than to mine it in Britain today. If the differential remains, which is likely, there is little economic sense in impaling the UK on an expensive energy policy simply because coal is indigenous. By the end of the century French nuclear-based electricity could give the nation a competitive edge over its Community neighbours.

Another difficulty is that Sir Derek Ezra is basing his investment on productive targets of 135m tonnes of coal by 1985 and 170m tonnes by 2000. This naturally assumes the expansion of markets for coal, viz, primarily power stations now and by, say, 1990-2000 synthetic natural gas will begin to take a significant share. It is possible that Sir Derek may have got his arithmetic wrong and that synthetic natural gas may not be required until a much later date since natural gas may still be available in sufficient quantities for domestic use. Should expansion of coal production and the market for coal fail to match for any reason, the National Coal Board may be obliged to trim its programme.

A further link with gas is underground gasification, but this route does not appear too promising. Evidence was adduced before the Select Committee on European Communities (Coal) on November 7, 1978, by Mr. H. E. Collins, a chartered engineer, that much of the gas generated by underground gasification leaked away, proved too low in calorific value, and that a similar project proved a failure in the USSR (para. 214). For the Federal Republic, Dr. Schilling gave a similar report in para. 494.

Mr. Fishlock could have suggested the merger of the National Coal Board and the electricity supply industry as the latter is the largest customer of the former, but nobody is going to suggest that electricity would benefit, particularly as coal would prove too possessive a partner, and it is likely that the growth of nuclear power would be severely stunted. Upon further reflection it would probably be better to leave the two corporations independent of one another, and to continue to tailor National Coal Board production to the markets it can sustain on a competitive footing.

T. H. H. Skeet.
House of Commons, SW1

Running the buses

From Mr. J. Redwood

Sir,—I am glad that Mr. White (February 28) has now found some more satisfactory numbers from market analysis project (MAP) surveys of bus usage. His new figures, however, fail to distinguish between young people working and still at school, he fails to distinguish between working and non-working women and he fails to take up my argument concerning the need for local authorities to consider staggered hours to ease the peak problem.

I am pleased that Mr. White does not suggest that central government should replace county councils in awarding open-ended subsidies. His view that capitalised operating losses are an unreasonable burden upon the bus companies should strengthen the case to encourage the bus companies to make profits and thereby accumulate capital reserves. Transportation experts should restrain themselves from wishing to plan everybody's lives. If they perceived that if people wished to use the service then there is a chance that it would be profitable, we could move towards a policy which would be more successful than that pursued by many transport authorities over the last five years.

John Redwood,
All Souls College,
Oxford.

Crazy power measures

From Mr. N. Jenkins

Sir,—Your reporter (Feb. 27) quotes Mr. Platts of the Electricity Council as castigating the Department of Education and Science for having the temerity to tell the truth about uses of primary energy by the electricity supply and other industries. This basis forms the only sensible yardstick, not a "crazy" one by any means.

The official spokesman quoted should not be allowed to make misleading statements such as that concerning Central Electricity Generating Board consumption of "unusable" oil and coal. It is not the only user of residual oil and low-rank coal; it certainly does not—although it could—burn the nation's rubbish. Incineration combined with heat and power generation is a technique the CEGB refuses to consider although at Nottingham the joint City and National Coal Board scheme is constantly expanding, now up to 100 MW capacity, exporting 2 MW of electricity continuously, burning less than the 50 per cent of low rank coal originally envisaged.

By 1990 it is hoped there will be more sense in the energy scene than reliance on single-purpose, nuclear - generated electricity. What they always fail to tell us is that for every 4,000 MW produced by nuclear power there are 8,000 MW of heat to be sent to waste. Whatever fuel is available in 20 years' time combined heat and power must be given an opportunity to show how little electricity we really need. As an essential preliminary we have to call a halt to domination of the whole field of energy provision by one industry producing a fuels-intensive, and therefore uneconomic, luxury product, far less essential than its proponents would have us believe.

Norman Jenkins.
Whitehill,
Ewshot,
Farnham, Surrey.

Support for inventors

From M. J. Wakenham, MP

Sir,—I was very interested to read (February 28) of the campaign by the National Research Development Corporation to increase the financial support for inventors. There is a complementary way in which the Government can support inventors and that is by changing the present tax treatment which acts as a disincentive seriously damaging innovation in Britain.

The tax system should be changed with the following objectives in mind: full relief should be given against total invention income for all development expenditure incurred on successful and unsuccessful projects; and the overall tax treatment of invention expenditure should be such that the inventor's cash flow position is not aggravated by the effects of tax before the point at which profits arise.

It is important that: the inventor should be able to establish the quantum of development expenditure (revenue and capital) on a tax year by year basis with the inspector, before the invention reaches the point of commercial viability; and "pre-trading" provisions should not be applied so as to disallow any costs of the invention. No commercial sales can take place until the product has been developed in the first instance and so "pre-trading" becomes a concept difficult for the taxpayer to refute.

It follows that, if such expenditure can be quantified on a "tax year by year" basis, the inventor should be able to claim relief under section 168 for losses and under 169 for capital allowances against other income. Further, he should be able to establish cross mixing of income and expenditure on different inventions by virtue of the fact that he has established the trade of inventor or equivalent.

There are a number of other ways in which the detailed tax rules are disadvantageous; the inventors and I have made representations to the Chancellor of the Exchequer based upon research done by the Small Business Bureau.

John Wakenham.
House of Commons, SW1.

Floating charges

From Mr. B. O'Sullivan

Sir,—The position of the holder of a floating charge on the assets of a business is not as advantageous as was implied by Mr. J. Hartley (February 23); the disadvantages of holding a floating charge as security for a loan were completely overlooked by him.

One of the advantages to a business of having a floating charge, rather than a fixed charge, on its assets is that the business usually can freely dispose of the assets within the charge and can acquire new assets which then become subject to the charge. Although this freedom is often an advantage to the borrower, it is clearly a disadvantage to the holder of the charge as the contents of his security fluctuates and its value is uncertain.

As Mr. Hartley pointed out certain preferential debts do take priority over a floating charge. But in addition to these preferential debts there are other interests which rank above a floating charge before it has "crystallised." These interests include execution creditors, landlords exercising the remedy of distraint for rents due, and hire purchase companies repossessing goods. Also fixed charges created after a floating charge, unless strictly prohibited, will usually take priority over a floating charge.

When Mr. Hartley claimed that the holder of a floating charge could "grab (the assets of the business) in priority to trade suppliers if the business runs into trouble," he failed to mention the provisions of section 322 of the Companies Act, 1948. The effect of this section is that where a company is being wound up a floating charge created within 12 months of the commencement of the winding-up shall, subject to certain factors, be invalid.

Brian O'Sullivan.
29, Leith Road,
Wood Green N22.

Today's Events

GENERAL

UK: Parliament resumes after devolution referendum recess.

Prime Minister meets Japanese import trade mission.

Sir Francis Tombs, Electricity Council chairman, speaks at Coal Industry Society lunch, Hyde Park Hotel, S.W.1.

Princess Anne visits Ideal Home Exhibition preview, Earls Court.

Sir Peter Parker, British Rail chairman, opens "The cartoon now standing at . . ." cartoon exhibition, Great Hall, Euston Station.

Foundry Exhibition opens, National Exhibition Centre, Birmingham.

Overseas: Iran resumes oil exports.

Mr. Eric Varley, Industry Secretary, concludes tour of China.

U.S. and European accountants meet in Amsterdam to discuss "peer reviews."

Two-day meetings start in Brussels of EEC Agriculture and Foreign Affairs Councils.

German court rules on BP/Veba deal.

Prince Philip visits Moscow to discuss Olympic and equestrian matters.

OFFICIAL STATISTICS

Final January figures of retail sales. February provisional wholesale price index numbers. January hire purchase and other instalment credit business.

PARLIAMENTARY BUSINESS

House of Commons: Debate on housing. Motion on the Hovercraft (Civil Liability) Order.

COMPANY RESULTS

Final dividends: Blagden and Noakes (Holdings). Fisons. Investment Trust of Guernsey. Isle of Man Enterprises.

Interim dividends: Manganese Bronze Holdings. Parker Knoll.

COMPANY MEETINGS

See Financial Diary on Page 6.

LUNCHTIME CONCERT

Elisabeth Priday and Bronwen Mills, sopranos, and Timothy Day, organ, give a concert of music by Monteverdi and Schütz at St. Andrew by the Wardrobe, Queen Victoria Street.

The Norwich way is knowing what makes the wheels go round.

This massive truck, towering above its driver, is one of a fleet of eighteen working round the clock for Derek Crouch Limited.

The whole fleet, like other plant and machinery on the site, is insured with Norwich Union.

Derek Crouch value the advice they get from Norwich Union's local engineer David Haines (on the right in the picture above). They appreciate dealing with someone who speaks their language;

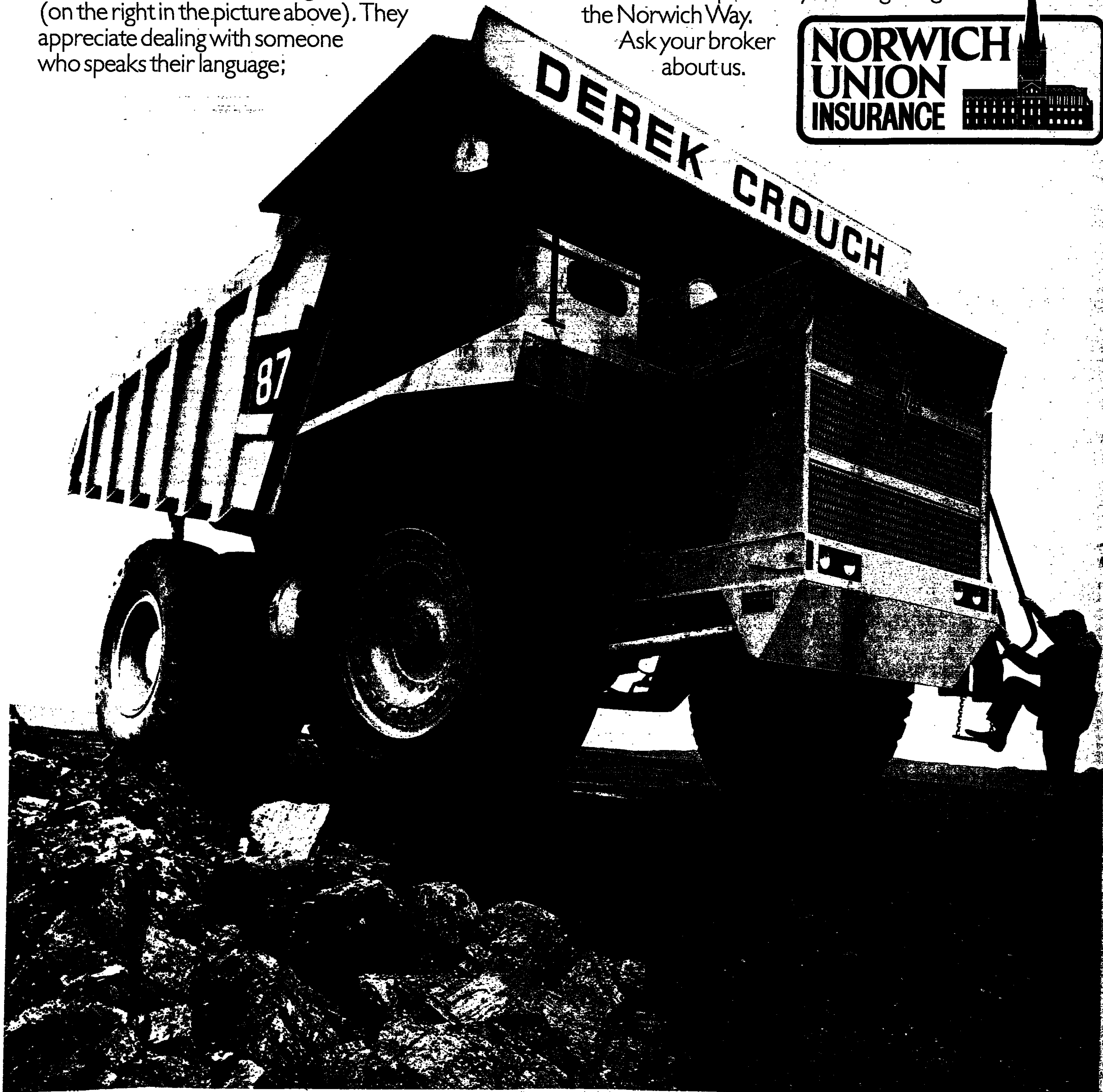
someone who knows what makes the wheels go round.

With Norwich Union smaller operators throughout the United Kingdom enjoy just the same friendly contact with experts.

Whether you are concerned with plant and machinery or choosing a profitable life policy, this personal approach to insurance is characteristic of our special way of doing things; the Norwich Way.

Ask your broker about us.

NORWICH UNION INSURANCE



FT Monthly Survey of Business Opinion

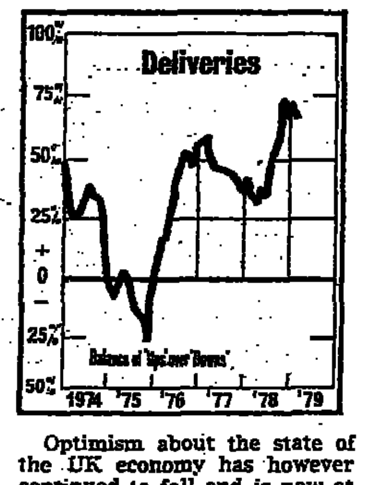
GENERAL OUTLOOK

Optimism at low ebb

month's survey included interviews with companies e mechanical engineering, icals and oils, and trans- and shipping industries. different circumstances of sectors influenced the rn of replies.

gineering and shipping anies saw the situation in as a discouraging factor export prospects, for ple, while in the chemicals oils sector it was pointed hat it could have a beneeffect on prices.

a result, and because of special factors such as t rationalisation measures me companies, the decline e index for business con- ce was checked last month.



Optimism about the state of the UK economy has however continued to fall and is now at its lowest point since the end of 1976, when the IMF measures were negotiated.

The recent spate of strikes, inflation prospects, the low level of warld trade, and the Government's apparent inability to create a sound economic and industrial climate were all cited as contributory factors.

Export prospects were also viewed less favourably, for the second month running. The reasons were world demand and increased price competition.

Several companies said that, because of the high pound and relatively low dollar, American products had become price competitive for the first time in years.

GENERAL BUSINESS SITUATION

Are you more or less optimistic about your company's prospects than you were four months ago?	4 monthly moving total				February 1979		
	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	Eng'g. (non-elect.) %	Chems. & Oils %	Ship. %
More optimistic	31	25	34	36	20	62	16
Neutral	43	55	51	51	44	2	3
Less optimistic	26	20	15	13	36	36	81

EXPORT PROSPECTS (Weighted by exports)

Over the next 12 months exports will be:	4 monthly moving total				February 1979		
	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	Eng'g. (non-elect.) %	Chems. & Oils %	Ship. %
Higher	67	71	79	77	74	61	41
Same	22	21	16	18	10	39	23
Lower	10	6	3	3	16	—	35
Don't know	1	2	2	2	—	—	1

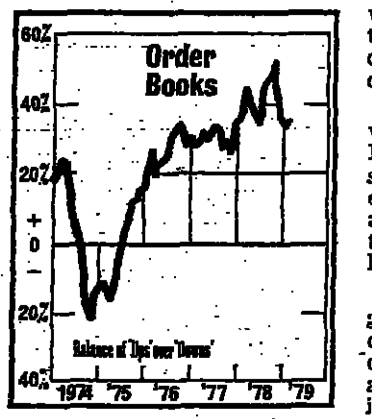
ORDERS AND OUTPUT

The pace is easing

EASING of demand pres- which was first noticed months ago was again evi- last month.

three sectors interviewed ebruary were less inclined port increased order levels the corresponding period onths before than they had last October.

e trend of deliveries has been checked after last h's recovery; and, though medium forecast increase roduction during the com- 2 months rose, this may re- the high market capitalisa- of the chemicals and oils , which still remains opti- .



If the replies had been weighted in output terms, rather than market capitalisation, the overall balance might have been different.

All three sectors cited slow world demand, coupled with the Iranian situation in the case of shipping and engineering. The engineering and chemicals and oils sector also mentioned the restraint on government and local authority spending.

Other factors for some engineering companies were increased price competition from overseas and home products, and the likelihood of the rise in consumer spending tailing off.

NEW ORDERS

The trend of new orders in the last 4 months was:	4 monthly moving total				February 1979		
	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	Eng'g. (non-elect.) %	Chems. & Oils %	Ship. %
Up	49	54	58	68	51	78	27
Same	16	11	13	16	43	22	3
Down	14	12	10	7	6	—	57
No answer	21	23	19	9	—	—	13

PRODUCTION/SALES TURNOVER

Those expecting production/sales turnover in the next 12 months to:	4 monthly moving total				February 1979		
	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	Eng'g. (non-elect.) %	Chems. & Oils %	Ship. %
Rise over 20%	3	4	6	7	12	2	—
Rise 15-19%	11	10	5	4	—	6	—
Rise 10-14%	15	10	14	13	17	48	—
Rise 5-9%	21	23	21	24	—	12	30
About the same	31	32	33	32	58	30	30
Fall 5-9%	1	—	—	—	—	—	27
No comment	18	21	21	20	13	2	14

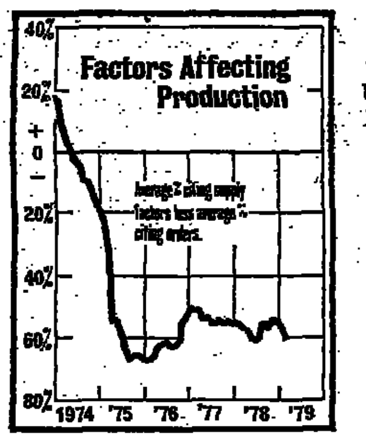
CAPACITY AND STOCKS

A more cautious attitude

FURTHER sign of an easing e pace of activity can be n the replies about stocks g the next 12 months and xpected level of bought-in es over the next four s.

three sectors covered last were less bullish about evel of outside purchases, he engineering and ship-transport sectors were inclined than in October pect their level of stocks work-in-progress to fall.

e shipping and chemicals/ ector were, however, more inclined to say that current stocks were too low in relation to output, but this could be because of strikes and the Iranian oil situation.



Except in shipping and transport, most firms are working at or about their planned rates of capacity utilisation.

Although engineering and chemicals/oils companies were less inclined last month to mention problems in recruiting skilled factory staff, there is a tendency for firms to say they are looking only for skills of the highest quality.

CAPACITY WORKING

	4 monthly moving total				February 1979		
	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	Eng'g. (non-elect.) %	Chems. & Oils %	Ship. %
Above target capacity	9	8	14	12	—	2	—
Planned output	70	67	60	61	68	74	19
Below target capacity	19	22	24	25	32	24	81
No Answer	2	3	2	2	—	—	—

STOCKS

Raw materials and components over the next 12 months will:	4 monthly moving total				February 1979		
	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	Eng'g. (non-elect.) %	Chems. & Oils %	Ship. %
Increase	36	34	37	37	43	54	—
Stay about the same	45	49	46	49	43	41	16
Decrease	7	3	4	4	14	5	81
No comments	12	14	13	10	—	—	3
Manufactured goods over the next 12 months will:							
Increase	25	25	31	34	21	24	—
Stay about the same	47	43	40	41	24	71	27
Decrease	7	5	6	5	32	3	27
No comments	21	27	23	20	23	2	46

FACTORS CURRENTLY AFFECTING PRODUCTION

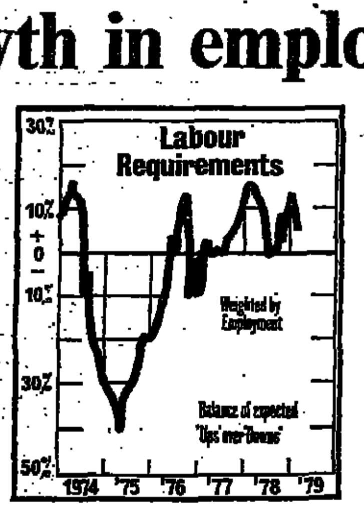
	4 monthly moving total				February 1979		
	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	Eng'g. (non-elect.) %	Chems. & Oils %	Ship. %
Home orders	79	79	83	82	97	94	30
Export orders	67	63	67	63	94	86	84
Executive staff	19	19	13	14	6	36	—
Skilled factory staff	27	42	45	46	41	12	3
Manual Labour	12	12	7	11	3	12	—
Components	4	4	6	4	19	2	—
Raw materials	14	9	12	9	13	26	27
Production capacity (plant)	4	4	4	5	28	—	—
Finance	1	1	1	1	—	—	—
Others	7	9	6	7	3	—	3
Labour disputes	26	26	25	32	77	2	54
No answer/no factor	5	3	3	3	—	6	16

INVESTMENT AND LABOUR

Slow growth in employment

INDEX for labour requirements dropped back last month both the engineering and shipping and transport rs becoming more inclined pect their labour force over next 12 months to decline.

a longer perspective, how- the trend is not too dis- aging—as the chart indi- s—though the underlying rd trend is now very slow. e lack of current or fore- demand is an important but the main reason. By far the est factor are those asso- ed with the supply of labour.



The most widely mentioned are plans to improve productivity, followed by recruitment difficulties, and the potential cost of redundancy payments or other aspects of employment legislation.

High wage or other labour costs feature relatively low on the list.

Investment plans, although on balance still encouraging, with almost half of all firms expecting to spend more in volume in the next 12 months, have been becoming less bullish in recent months.

LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	4 monthly moving total				February 1979		
	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	Eng'g. (non-elect.) %	Chems. & Oils %	Ship. %
Increase	27	30	32	30	23	22	9
Stay about the same	51	53	43	43	39	78	—
Decrease	22	17	25	27	38	—	91

CAPITAL INVESTMENT (Weighted by expenditure)

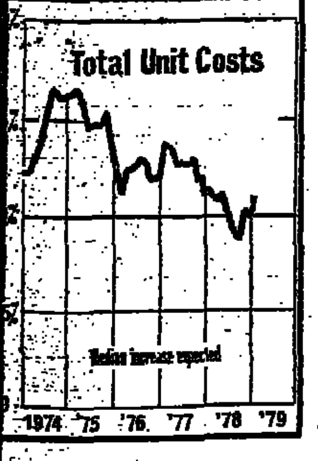
Those expecting capital expenditure over the next 12 months to:	4 monthly moving total				February 1979		
	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	Eng'g. (non-elect.) %	Chems. & Oils %	Ship. %
Increase in volume	46	47	46	48	31	84	32
Increase in value but not in volume	8	8	10	10	17	9	—
Stay about the same	23	23	18	18	13	—	5
Decrease	16	14	16	16	39	7	63
No comment	7	8	10	8	—	—	—

COST AND PROFIT MARGINS

Inflation fears increase

THERE are signs of a tendency firms to expect wage costs ise somewhat faster in the 12 months.

he median forecast increase



risen from just below the per cent mark, where it has ained for the last six nths to just over 12 per cent.

he median forecast increases for total unit costs and for output prices have meanwhile risen rather more sharply from 9 per cent to over 11 per cent.

The forecast for prices had been lagging behind that of total unit costs but it has now virtually caught up with it.

This helps to explain the recent improvement in the index for profit margins, although last month the recovery was checked principally because of the less sanguine views expressed in the enginering and shipping and transort sectors.

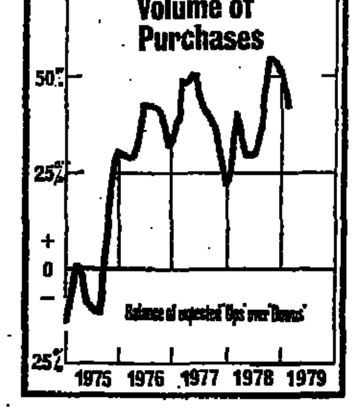
Hopes of improved returns on capital employed are nonetheless still growing, despite the more cautious expectations in shipping and transport.

These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based upon extensive interviews with top executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT-Actuaries' Index, which accounts for about 60 per cent of all public companies.

The all-industry figures are four-monthly moving totals covering some 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month).

Complete tables can be purchased from Taylor Nelson and Associates.



COSTS

No comment	4 monthly moving total				February 1979		
	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	Eng'g. (non-elect.) %	Chems. & Oils %	Ship. %
Wages rise by:							
5-9%	19	24	24	25	12	—	27
10-14%	55	51	56	56	71	77	57
15-19%	11	8	6	6	17	18	—
20-24%	1	1	—	—	—	—	—
No answer	14	16	14	13	—	5	16
Unit cost rise by:							
0-4%	1	1	1	1	—	—	—
5-9%	26	35	34	31	—	—	27
10-14%	45	43	43	43	79	38	40
15-19%	11	3	1	1	8	48	—
Same	3	—	—	—	—	12	30
Decrease	—	—	2	2	—	—	—
No answer	14	18	19	22	13	2	3

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	4 monthly moving total				February 1979		
	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	Eng'g. (non-elect.) %	Chems. & Oils %	Ship. %
Improve	40	39	33	32	9	38	43
Remain the same	47	41	40	42	54	54	3
Contract	12	13	21	21	38	8	54
No comment	1	7	6	5	—	—	—

Evode warns of depressed first half performance

Warning of further decline in first half profits at Evode Holdings below last year's depressed level of £0.31m pre-tax comes from Mr. P. J. Wright, the chairman, in his annual report. Nor is he optimistic about trading profits for the current year.

"First half results may not match even last year's poor figures. Operational problems at home and continued losses overseas prevented headway being made in the early part of the half year and the national environment—and to an extent the weather—will seriously affect at least January and probably beyond," he says.

"With a disappointing first half the going rate necessary in the second half will have to be another record to enable us to equal, let alone surpass last year's full year total," he adds.

Mainly because of continuing problems in some of the group's overseas activities, taxable profit for the year to September 30, 1978, slipped from £1.48m to £1.34m though sales moved ahead to £26.78m (£23.22m) as reported February 7.

Current cost profit showed a fall from £938,000 to £822,000 after additional depreciation of £190,000 (£188,000) and extra cost of sales of £359,000 (£374,000) less a gearing adjustment of £31,000 (£17,000).

The provisions made in the year's accounts and the actions taken or being taken by the company are hoped to considerably reduce the impact of overseas problems in 1978/79 onwards. If they do not prove adequate the directors will not hesitate to take more drastic steps despite any short term impact they may have on the group's figures, Mr. Wright states.

The group has already decided to back out of one trouble spot: Evode Inc in the U.S. where difficulties arose primarily due to lower sales resulting from building regulations. The business of this wholly-owned distribution company has been transferred to an agency.

At the 80-per-cent-held Societe Chimique Emfi in France further steps are being taken to eliminate losses. The group's investment in this subsidiary is being written down and a further £0.3m provision has been made.

At year end cash stood at £421,000 (£65,000) and bank loans and overdrafts were up from £108,000 to £538,000. Working capital was down £98,000 (up £490,000).

Meeting, Stafford, on March 28 at noon.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Manganese Bronze, Parker Knoll, Victor Products (Wallsend).

Finals: Blagden and Noakes, Fisons, Investment Trust of Guernsey, Isle of Man Enterprises.

FUTURE DATES

Interims—	
Banks (Sidney C.)	Mar. 20
British Aluminium	Mar. 21
Lake and Elliott	Mar. 16
New Central Witwatersrand Areas	Mar. 21
Finals—	
Anglo-Amer. Indust. Corpn.	Mar. 13
Anglo-Amer. Investment Trust	Mar. 13
Farmer (S. W.)	Mar. 13
Finlay Packaging	Mar. 9
First Guernsey Securities	Mar. 7
General Mining and Finance	Mar. 8
Harmony Gold Mining	Mar. 15
Montfort (Knitting Mills)	Mar. 14
Waterford Glass	Mar. 30

Cronite begins in good form

A RECORD profit in the first quarter of the current year with export orders standing at the highest figure for five years, was reported by chairman Mr. K. F. Ward to the annual meeting of the Cronite Group.

Subject to the usual reservations, Mr. Ward expected the current year to show "a substantial improvement in profits."

The company suffered as a result of the recent industrial action and inclement weather due to the inability to ship merchandise in accordance with scheduled contracts. "The signs are that we shall recover, these losses during March," said Mr. Ward.

CAPITAL & NATIONAL

Revenue available at Capital and National Trust came out higher at £372,768 for the half year to January 31, 1979, against £337,323, after tax of £228,632 compared with £213,719 previously.

Associated Paper starts well

THE current year started strongly for Associated Paper Industries and in the first quarter the group traded close to budget, Mr. K. L. Young, the chairman says in his annual report.

The road haulage dispute severely affected some subsidiaries in January and caused a temporary setback but it is expected that further progress in terms of profit will be made this year, the chairman says.

The balance sheet shows a strong financial position. Net assets per share amount to 85.1p (81p) while loan capital is 17.7 per cent (14.9 per cent) of capital employed — the increase mainly due to a £1m loan from the Secretary of State for Scotland which is nterest free until March 1980.

For the year ended September 30, 1978, profits before tax were £1.97m, against £1.8m). Total sales were £36.67m (£32.46m). Profit on a CCA basis is reduced to £1.68m after adjusments for cost of sales, £128,000, additional depreciation of £479,000 and £66,000 gearing.

The George M. Whiley subsidiary made a loss of £200,147 in their first six months with the group which was much in line with expectations at the time of the purchase. They are now improving satisfactorily and the chairman is confident that Whiley will prove to be a very good investment.

The accounts show payment of £40,000 to a director on retirement due to ill health.

Meeting, Great Eastern Hotel, EC, March 20 at 12.30 pm.

Seven months deficit for Hill Thomson

After charging £840,000 this time in respect of a provision for payment of compensation on termination of an overseas distribution contract, Hill Thomson and Co. incurred a pre-tax loss of £142,445 for the seven months to July 31, 1978. For the previous full year, profits of £1,593,040 were achieved.

Turnover for the period amounted to £6.01m (£11.17m for all 1977) and the loss was subject to a tax credit of £0.34m (£0.1m). The dividend is cut from 36.863p to 4.387p per 25p share.

Midyear profit downturn for J. Jarvis

With turnover unchanged at £5.7m, taxable profit of Bolton Textile Mill Company fell from £163,000 to £149,000 in the six months to October 31, 1978. Profit for the last full year amounted to £307,000.

After tax of £77,000, compared with £85,000, the net balance for the first half emerged at £720,000, against £78,000.

BIDS AND DEALS

Johnson-Richards lifts payout hopes

In a strongly worded document rejecting the Norcros bid, Mr. J. Alec Done, chairman of H. and R. Johnson-Richards Tiles, tells shareholders that if the bid or Johnson's proposed merger with Armitage Shanks are referred to to Monopolies Commission, shareholders will receive a substantial dividend increase.

It would be the directors' intention to declare a second interim dividend in lieu of a final, amounting to 5.75p per share which, together with the 1.25p interim, would lift the total payment for the current year to 7p per share compared with the equivalent of 1.789p paid for 1977-78.

Urging shareholders to reject the Norcros approach Mr. Done declares that "a takeover by a financially orientated conglomerate such as Norcros would be gravely damaging to the fabric of Johnson-Richards' business and to the best interests of Johnson-Richards' shareholders."

He goes on to say that the Norcros operations are "far removed from the activities of Johnson-Richards and could contribute nothing to the health or development of our business."

Turning to a three hour meeting held on January 9 between four Norcros directors and some members of the Johnson-Richards board, Mr. Done claims that "Norcros demonstrated that it had little understanding of the Johnson-Richards' business."

● comment

The share prices of Johnson-Richards and Armitage Shanks have been signalling that the market at least expects the battle between Norcros and Johnson-Richards/Armitage to be referred with the result the bid and merger schemes would lapse. One of Johnson's defence arguments is that shareholders would receive a better income return under a Johnson Armitage get together than by accepting the Norcros bid. Now the Treasury appears to have approved a big dividend increase for Johnson not as a defence against Norcros but as a defence against the commission. With Johnson's substantial dividend cover it can afford a near quadrupling of the dividend, and the lifting of the prospective yield to 8.2 per cent at 127p should stem any downward drift in the shares if it does come to a reference.

GUINNESS/WCB

Arthur Guinness Son has dispatched its offer document to shareholders of White Child and Beney, the materials handling and plastics group.

Guinness already owns 67.12 per cent of the White Child equity and is bidding for the 32.88 per cent that it does not already own.

It is offering 200p in cash or one ordinary share of 25p in Guinness and 27p in cash.

The White Child Board and their families are intending to accept the offer in respect of their holdings which represent 5.8 per cent.

HEYWOOD WILLIAMS IN U.S. HOTEL AGENCY DEAL

Heywood Williams has acquired Budget Motels and Hotels of America—a U.S. booking agency with links with 800 hotels.

The purchase price is to be paid over three years and will be based on Budget's profits performance over that period. Heywood says that it does not expect to have to pay more than U.S.$250,000 (£124,000) and the purchase price will be funded out of Budget's profits.

Heywood, a UK supplier of glass and aluminium products to the building industry broke into the U.S. market last year with the purchase of the hotel and restaurant business of Interstate United Corporation. It does not own hotels, however, but provides manageent services.

Mr. Douglas Oliphant, Heywood's chairman has forecast group profits of around £1m for the year ending April 30, 1979. The contribution from the hotels and restaurant business is expected to be around £200,000.

Mr. Oliphant says that he is hoping to expand this side of the group's activities.

OAKLEY OFFERS UNCONDITIONAL

The offers on behalf of Oakley Investments to acquire all the shares in Maddieson's Holidays not owned by Maddieson Investment Company have become unconditional.

Acceptances of the offers have been received in respect of 1.93m deferred 5p shares and 1.93m new ordinary shares of 1p each, being 99.4 per cent of each of the two classes of shares for which the offers were made and 61.0 per cent of the share capital of Maddiesons.

The offer whereby Oakley agreed to acquire all MIL also became unconditional. MIL owns 38.6 per cent of the share capital of Maddiesons and Oakley therefore owns, directly or indirectly, a total of 99.6 per cent of Maddiesons.

CANADIAN DEALS APPROVED

The Canadian Foreign Investment Review Agency has approved foreign investment plans by Boots Company to acquire McDermott Drugs and Hawker Siddeley Group to acquire Electric Switchgear.

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Needlers (Section: Foods).

Sheffield Brick (Section: Buildings).

Suter Electrical Defd. (Section: Electricals).

● NEWS ANALYSIS — ROSSMINSTER/JACKSONS

Property key to bid

Rossminster Holdings will be posting its formal offer document to shareholders in Jacksons Bourne End tomorrow but there is no reason to suppose that the bid will receive more than a trickle of acceptances.

In normal circumstances, the 22p uplift on the share price prevailing ahead of Rossminster's offer would have shaken out several shareholders and tempted many more. However, after rising initially to match the 100p per share terms, the price has remained consistently ahead. Persistent buying from one unidentified source in a tight market drove the price up to a peak 148p earlier last week and, although the shares had eased back 10p by Friday, this premium is a pointer to the resistance expected from the Jacksons' Board.

In a sense, the battle is already lost for Rossminster now controls around 58 per cent of the equity but the results of a recent revaluation are expected to show assets which comfortably underpin the recent share price performance.

Jacksons' traditional millboard and fibreboard conversion activities provide scan justification for Rossminster's interest and the subsequent market reaction. The track record is distinctly patchy yet, even at the pre-bid price, the historic p/e was over 10. Furthermore, the interim dividend for the current year to March 31 has been passed and, other than the 2p net per share final for 1978, the group has paid no dividend since 1975-76.

The sole cause of the interest it seems is Jacksons' 24 acres of industrial and ancillary land at Bourne End, Buckinghamshire, near the M4 motorway. These are shown in the latest accounts at £533,000, at cost, where asset backing is 100.7p per share.

Hopes are being tentatively raised that this site will be redeveloped. The local authority concerned, Wycombe District Council, has not gone any further than the publication of a document of intent as yet but discussions with Jacksons and other interested parties concerning the long-term development future of the area have already been broached.

If, as has been suggested, a regrouping and extension of Wycombe's industrial base eventually centres on Jacksons' site, a long history of planning disappointments will be over.

In the accounts for 1971, shareholders received the first indication that Jacksons was seeking a redeployment of its "peripheral land."

In the subsequent year, shareholders heard that "the existing use value" of the company's properties at Bourne End might be of the order of £1m, which, incidentally, is only £64,000 short of the bid for the entire company. By 1975, it was obvious that these ambitions had run into planning difficulties, but Rossminster was already on the scene after the acquisition of a near 29 per cent stake in November 1974. Four weeks ago, Guinness Peat was persuaded to part with its longstanding 29½ per cent holding at 100p per share. Under Rule 34 of the City Code, that transaction triggered Rossminster's full bid through its Dawngrange investment holding subsidiary.

Before the pros and cons of the offer are thrashed out publicly by both sides, it seems clear that Rossminster is entirely unconcerned whether it succeeds in taking out the minority. Indeed, it would prefer to maintain the quote.

Curiously, Dawngrange's representative on the Jacksons Board, Mr. A. D. S. Cannon, seems less than sanguine about prospects for major redevelopment at Bourne End and he seriously wonders whether the planning outlook is any more hopeful than it was four or five years ago.

Property, then, is clearly the key to this bid and should the current round of talks with the Wycombe council come to nothing, Rossminster may well be left with control of a quoted company whose historic return on the revalued assets is likely to leave little to recommend it.

How a private company, normally coy about its finances and whose only past exposure to the limelight concerned retrospective Government fiscal action against some of its skilful tax avoidance schemes, plans to use any quotation is one of the more intriguing long term questions posed by this bid. Short term, however, the answers rest with the Wycombe Council.

Wagon Finance well set to meet rise in demand

THE DIRECTORS at Wagon Finance Corporation face 1979 with confidence. Contrary to a year ago when the prospect was of rising interest rates the current year has started with high rates and there is hope for some easement eventually, comments Mr. Stephen de Bartolome, the chairman.

Expressing the hope that the Government might now ease statutory controls and lengthen repayments periods for private motorists, he points out that with the financial resources it has available the company is well placed to take advantage of any further growth in demand for instalment credit by industry and the consumer.

Advance under new credit agreements by the company were 32 per cent up to a record level resulting in £8.16m (£6.42m) in unearned finance charges being carried forward. Income from finance charges is spread throughout a repayment period in proportion to the outstanding balance.

For 1978, as reported February 17, taxable profit rose from £2.15m to £2.71m on turnover of £10.92m (£9.52m). Adjusted for inflation profit is cut by £0.65m.

At year end net liquidity was down £3.42m (£3.88m) with bank loans and acceptances, medium term loans and deposit loans totalling £36.64m (£26.37m). Net current assets amounted to £8.68m (£6.87m). The net dividend is raised to 2.303125p (2.0625p).

NOTICE TO HOLDERS OF

ITO-YOKADO CO., LTD.

(KABUSHIKI KAISHA ITO-YOKADO)

6% CONVERTIBLE DEBENTURES DUE AUGUST 31, 1992

5¾% CONVERTIBLE DEBENTURES DUE AUGUST 31, 1993

Pursuant to Section 3.04(I) of the Company's Indentures dated as of June 15, 1977 and July 1, 1978, respectively, relating to the above-mentioned Debentures, notice is hereby given as follows:

1. The Company has made a public offering of 12,500,000 new shares of Common Stock of the Company in Japan at the price of Yen 1,630 per share. Such public offering has resulted in the following adjustment, effective as of March 1, 1979, Japan Time, of the conversion prices of the above-mentioned Debentures. The conversion prices in effect before such adjustment were Yen 1,445.60 for the 6% Convertible Debentures Due August 31, 1992 and Yen 1,4[illegible] for the 5¾% Convertible Debentures Due August 31, 1993, and the adjusted conversion prices, subject to further adjustment as set forth in paragraph 2 hereof, are Yen 1,435.30 for the 6% Convertible Debentures Due August 31, 1992 and Yen 1,462.60 for the 5¾% Convertible Debentures Due August 31, 1993.

2. The Company has also made a free distribution of shares of the Company's Common Stock to shareholders of record as of March 1, 1979 in Japan at the rate of 1 new share for each 10 shares held. Accordingly, the conversion prices at which the above-mentioned Debentures may be converted into shares of Common Stock of the Company have been further adjusted effective as of March 2, 1979, Japan Time, from Yen 1,435.30 per share of Common Stock to Yen 1,304.80 per share of Common Stock for the 6% Convertible Debentures Due August 31, 1992 and from Yen 1,462.60 per share of Common Stock to Yen 1,329.6[illegible] per share of Common Stock for the 5¾% Convertible Debentures Due August 31, 1993.

ITO-YOKADO CO., LTD.
By: The Bank of Tokyo Trust Company
as Trustee

Dated: March 5, 1979

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 9.3.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	12¾	13	13	13¼	13¼	13½	13½	13¾

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

CORAL INDEX: Close 484-489

INSURANCE BASE RATES

† Property Growth	12%
† Vanbrugh Guaranteed	11.25%

†Address shown under Insurance and Property Bond Table.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
East Lindsey (0507 5801)	12⅝	½-year	250	5-10
Knowsley (051 548655)	12⅞	½-year	1,000	5-7
Reading (0734 592325)	14¼	maturity	1,000	6-7
Redbridge (01-478 3020)	12⅝	½-year	200	4-5
Sefton (051 922 4040)	13	½-year	2,000	5-7

SIMCO MONEY FUNDS
Saturn Investment Management Co. Ltd.
66 CANNON STREET EC4N 6AE
Telephone: 01-236 1425

Rates paid for W/E 4.3.79

	Call % p.a.	7 day % p.a.
Mon.	14.007	13.224
Tues.	13.597	13.218
Wed.	13.701	13.244
Thurs.	13.529	13.247
Fri./Sun.	12.956	13.470

S.Lyles Limited
Carpet Yarn Spinners and Dyers

Interim Report

The following is a statement of the unaudited results of the Company for the half year ended 31st December, 1978:

	Half year to 31.12.78	Half year to 31.12.77	Year to 30.6.78
	£	£	£
Turnover:			
United Kingdom	3,522,261	3,069,869	6,435,354
Exports	2,489,060	1,406,766	3,493,026
	£6,011,321	£4,476,635	£9,928,380
Profit before Taxation	452,678	107,072	392,790
Taxation	235,393	55,677	161,500
Net Profit	£217,285	£51,395	£231,290
Earnings per Share	5.98p	1.42p	6.37p

We had good trading conditions during the whole of the first six months of our current year. Our exports were the highest in any half year yet and exceeded 40% of the turnover.

On a basis of continuation of current trading conditions, there is no reason not to expect the maintenance, in the second half year, of the improved earnings in the first half year.

An interim dividend of 2p per share (1978: 2p) has been declared for the current year and will be payable on 2nd July, 1979, to shareholders on the register at the close of business on 18th June, 1979.

It is recommended that £363,190 be capitalised to pay up in full 363,190 11 per cent cumulative preference shares of £1 each which are to be distributed among the holders of the ordinary shares in the proportion of one preference share for every ten ordinary shares. A first dividend of 5p per preference share will be payable on 2nd July, 1979, in respect of the period from the date of issue to 30th June, 1979.

JOHN LYLES *Chairman*
1st March, 1979

S. Lyles Limited,
Jilling Ing Mills,
Earlsheaton,
Dewsbury WF12 8LX

NCHANGA CONSOLIDATED COPPER MINES LIMITED

(Incorporated in the Republic of Zambia)

QUARTERLY REPORT

OPERATING AND FINANCIAL RESULTS

	Quarter ended 31.12.78	9 Months ended 31.12.78	9 Months ended 31.12.77	Year ended 31.3.78
PRODUCTION (Tonnes)				
Copper	96 665	287 508	294 197	377 156
Lead and Zinc	14 568	47 585	43 878	51 633
SALES (Tonnes)				
Copper	84 393	256 545	315 889	384 560
Lead and Zinc	13 192	42 372	38 184	46 027
Average proceeds per tonne—Copper	1 148	1 067	1 014	1 002
	K Millions			
Sales revenue—all metals	112.8	318.0	350.4	422.1
Cost of sales	96.2	300.8	358.0	437.6
	16.6	17.2	(7.6)	(15.5)
Interest payable, less receivable and other income	(5.8)	(15.9)	(14.3)	(18.9)
Share of profits less losses of associated companies	0.1	0.2	1.2	0.8
Profit/(loss) before taxation	10.9	1.5	(20.7)	(33.6)
Taxation (payable)/receivable	(0.1)	(0.1)	32.0	40.1
Profit/(loss) after taxation	10.8	1.4	11.3	6.5
Extraordinary items less tax	—	—	—	(16.3)
Profit/(loss) brought forward	(12.0)	(3.2)	11.4	11.4
	(1.2)	(1.8)	22.7	1.6
APPROPRIATIONS:				
Realignment of currencies	0.4	(0.2)	0.8	4.7
Preference shares — redemption and dividends	—	—	—	0.1
Profit/(loss) carried forward	(1.6)	(1.6)	21.9	(3.2)
	(1.2)	(1.8)	22.7	1.6

NOTE: On 27th February 1979, K1=US dollars 1.25188 and K1=UK £0.62106 (on 20th November, 1978, K1=US dollars 1.24322 and K1=UK £0.63673).

Lusaka — 1st March 1979

هكذا من الأصل

Jordanian fund to axe pensions

By Rami G. Khouri in Amman

AFTER TWO full years of operation the Jordanian Pension Fund has applied to the Government for a change of status that would allow it to drop its pension-paying function and concentrate solely on investment, according to the pension fund director general, Basil Jardaneh.

The fund is responsible for paying retirement benefits to some 30,000 Jordanians, mostly retired army personnel, which this year will amount to about JD 14m, or some $44m. But the fund only covers 30 per cent of these payments from its own resources, with the Government making up the deficit.

The fund registered profits of JD 1m (over $3m) last year from its investments, most of which are in the local industrial sector in the form of shareholdings in newly established companies. The fund has JD 17m committed to investments in Jordan, out of total assets this year of JD 21¼m.

Because the pension-paying scheme is not fully funded by the 5 per cent of employees' salaries that is withheld monthly, it would be more logical to turn over the pension scheme to the Finance Ministry and allow the existing pension fund apparatus to concentrate on its investment programme, which includes a significant degree of identifying new industrial projects and bringing in appropriate foreign companies to form joint ventures. The new company would be called the Jordan Investment Corporation, according to the proposal Mr. Jardaneh has presented to the Cabinet.

Profits from the proposed new corporation's investments would be given to the Government to help finance the pension payments. The Jordan Investment Corporation would not take in deposits, as other investment banks here are allowed to do. It would however, carry out underwriting business.

Sharp profits fall affects Alusuisse

BY OUR FINANCIAL STAFF

A SHARP reduction in profits and a near $100m rights issue were unveiled over the weekend by Alusuisse, the major Swiss company which ranks as one of the largest producers of aluminium in the world.

Net profits on a group basis dropped by 38 per cent to SwFr 94.1m ($56.5m) in 1978 on the back of a decline of 9 per cent in sales to SwFr 4.95bn. Last November, Alusuisse pointed to a 12 per cent setback in sales for the first nine months of last year and said that shareholders could expect a "painful" drop in earnings for 1978 as a whole.

Consolation comes in the shape of a maintained dividend —SwFr 20 per Registered and SwFr 40 per Bearer share. But shareholders are being asked to put up a large slice of fresh capital, via a one-for-six rights issue.

Issue price per Registered share will be SwFr 400 and SwFr 800 per Bearer share. The funding will raise a total of SwFr 159.6m, or $95.5m. At the end of 1977, Alusuisse's long-term debt, including convertible and option loan stock, amounted to some $1.76bn.

Alusuisse reported that depreciation in 1978 totalled SwFr 333.5m, down from SwFr 359.6m the year before. Cash-flow dropped to SwFr 429.6m from SwFr 511.9m, a decline of 16 per cent. Net profit of the parent company was SwFr 44.9m compared with SwFr 44.6m.

Sluggish U.S. sales for Ford and Chrysler

BY JOHN WYLES IN NEW YORK

MORE THAN 30,000 U.S. car workers will be idle at various times this month because of excessively high dealer stocks of Ford, Chrysler and American Motors Corporation passenger cars.

With the exception of American Motors, the problems stem from sluggish sales of particular models rather than a general crisis. However, both Ford and Chrysler are making only minimal advances on last year's sales and both are finding it much more difficult than they expected to market their redesigned, smaller car ranges.

At American Motors, however, the difficulties are much sharper because its passenger car sales are down nearly 30 per cent on last year. AMC has been running its plant at Kenosha, Wisconsin, for only two weeks per month since late last year. The company has now decided to reduce line speeds to cut daily car output by 30 per cent from March 10 and to lay off some 1,500 workers indefinitely. A proportion of these will be recalled later in the year when AMC opens a production line for its fast selling jeep utility vehicle.

Chrysler is going to close four of its five domestic car plants for at least one week each this month and will also halt a plant producing vans and light duty trucks. About 20,000 workers will be affected by these moves.

Meanwhile, Ford is closing two plants, at Mahwah, New Jersey and Atlanta, Georgia, this week and temporarily laying off 3,400 workers at each plant.

The projected result of these closures is a 3 per cent drop in U.S. car production this month, to 873,000 units, compared with a year ago.

In contrast, General Motors' dealer sales are running nearly 28 per cent above a year ago. The company's market share of domestically produced vehicles has elapsed nearly 5 per cent and is touching 60 per cent.

Irish Sugar earnings improve

By Stewart Dalby in Dublin

IRISH SUGAR, the semi-state owned concern, turned in a modest 9 per cent increase in pre-tax profits for the year ending last September to £3.24m. The improvement came from total group turnover of £106m which was some 6 per cent higher, suggesting improved margins. Trading in sugar represented 50 per cent of total sales.

The main push behind the advance came from better results from agricultural trading and engineering, which turned in profits of £3.19m compared with £2.9m in the comparable year. However, the troublesome Erin Foods subsidiary, which in the past has been a persistent loss-maker, marginally increased its profit from £36,000 to £49,000.

While some observers have pointed out that the profits increase can be considered extremely modest in the context of some of the rises of private sector companies in recent weeks, others point out that the company has been subject to unavoidable restraints.

The company plans a capital investment programme of £30m over the next five years, having spent £24.5m in a similar fashion since 1970.

Heavier losses at Borregaard

By Fay Gjester in Oslo

BORREGAARD, the Norwegian industrial group, reports net losses of NKr 39m for 1978, compared with a net loss of NKr 18.5m in 1977, but expects better results this year.

It is passing the dividend for the second year running. The concern attributes last year's higher losses to increased costs, which could not be offset by charging higher prices, to unfavourable currency fluctuations and to a delay in starting production at a new Norwegian chlorine plant in which Borregaard has a half-share.

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent. shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
*AAH	Mar. 6	Int. 2.75
Armstrong Equipment	Mar. 21	Int. 0.8
Ault and Wiborg	Mar. 10	Final 1.3
Aurora	Mar. 30	Final 3.96
BICC	Apr. 5	Final 4.8
BPM	Mar. 29	Int. 0.8125
*BSR	Mar. 9	Final 3.507
BTR	Mar. 8	Final 4.62
Bank of Scotland	Apr. 4	Final 5.449
Barratt Developmts.	Mar. 8	Int. 2.64
Barrow Hepburn	Mar. 8	Final 1.9331
Bell (Arthur)	Mar. 15	Int. 2.25
*Bibby (J.)	Mar. 13	Final 4.0373
Booker McConnell	Mar. 20	Final 3.952 †cst
Bowater	Apr. 6	Final 5.7864
Bowring (C. T.)	Mar. 22	Final 2.0393
*British Aluminium	Mar. 21	Final 30.0 †cst
British Petroleum	Mar. 16	Final 15.121
Brit. Printing Corp.	Apr. 6	Final 2.4 †cst
Brooke Bond Liebig	Mar. 14	Int. 0.8319
Cadbury Schweppes	Apr. 6	Final 2.09143
Cape Inds.	Apr. 4	Final 5.302
Collins (William)	Mar. 16	Final 2.553
Cons. Gold Fields	Apr. 5	Int. 3.1916
Croda Intnl	Apr. 6	Final 1.192
Ductile Steels	Mar. 14	Int. 1.9261
English Property	Mar. 30	Final 1.05 †cst
Expanded Metal	Mar. 20	Final 2.05
Fairclough Construction	Mar. 14	Final 1.388
*Fisons	Mar. 5	Final 7.364
Guest Keen & Nettlefolds	Apr. 4	Final 10.059
Hall Engineering	Mar. 20	Final 2.2128
*Hepworth Ceramic	Mar. 20	Final 1.75
House of Fraser	Mar. 30	Final 3.0776
*Howden (Alexander)	Mar. 29	Final 4.09
Jacobs (John I.)	Mar. 21	Final 1.2991
Johnson and Firth Brown	Feb. 23	Int. 1.3
*Kleinwort Benson Lonsdale	Mar. 13	Final 2.4702
LWT	Mar. 30	Int. 3.555
Ladbroke	Mar. 29	Final 4.0
Laird Group	Mar. 27	Final 2.937 †cst
Legal and General Ass	Mar. 29	Final 3.66
*Lex Service	Mar. 8	Final 2.7 †cst
*Liverpool Daily Post	Mar. 21	Final 4.565
London Brick	Apr. 6	Final 1.9602
*Low and Bonar	Apr. 2	Final 7.39
Lucas Industries	Mar. 30	Int. 2.334
*Metal Closures	Mar. 20	Final 2.5136
*Midland Bk.	Mar. 9	Final 1.75
Morgan Crucible	Apr. 6	Final 2.204
Newman-Tonks	Mar. 20	Int. 3.559 †cst
News Intl.	Apr. 6	Final 4.9
Ocean Transport	Apr. 3	Final 4.3273
Oltrex	Apr. 6	Final 2.34
Phoenix Ass.	Apr. 5	Final 5.77
Prudential Ass.	Mar. 30	Final 4.198
Reckitt and Colman	Mar. 30	Final 5.95478
Reed (Austin)	Apr. 6	Final 1.859
Rockware	Mar. 22	Final 3.2845
Rolls-Royce Motors	Mar. 13	Final 2.4572
Schroders	Mar. 22	Final 8.4401
Scottish Metro. Prop.	Apr. 4	Int. 0.9
*Shell Transport	Mar. 8	Final 6.882
Slough Estates	Mar. 29	Final 1.515
Smith and Nephew	Mar. 16	Final 1.6186
Smith (W.H.)	Apr. 5	Final 0.2978
Spirax-Sarco	Apr. 3	Final 5.19
*Steetley	Mar. 15	Final 3.9652
Stone-Platt Inds.	Mar. 29	Final 1.33
Sun Alliance	Apr. 5	Final 9.245
Taylor Woodrow	Apr. 6	Fnl. 6.4853 †cst
Tilling (T.)	Mar. 22	Final 2.315
*Turner and Newall	Mar. 6	Final 6.0955
*Unilever	Mar. 6	Final 7.84
*Tube Investmts.	Mar. 21	Final 11.124
United Biscuits	Mar. 14	Final 3.634
Vosper	Mar. 14	Final 2.5 †cst
*Walker (Jas.) Goldsmith	Mar. 14	Int. 1.0
*Waterford Glass	Mar. 30	Final 0.7395
Weir Group	Mar. 21	Final 3.509
Willis Faber	Mar. 20	Final 6.125
Wolseley-Hughes	Mar. 16	Int. 3.3275

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price p:	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
65	F.P.	20/2	148	68	Caledonian Hldgs.	148	+8	₫7.3	1.6	7.4	12.5
**	F.P.	16/2	150	118	Hunting Assoc. Defd.	147	.....	—	—	—	—
**	F.P.	9/2	41	31	M.Y. Dart Defd.	41		—	—	—	—
95**	F.P.	—	105	97	Sedgwick F. New 10p	105		T5.0	2.1	7.1	9.8

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price	+ or −
¶¶	F.P.	16/2	109p	102p	Assoc. Dairies 9¼% Pref.	103p	...
‡	F.P.	23/2	55p	53p	Chepstow Race'e 5% Cnv. Uns. Ln. 1988	55p	.....
‡100p	F.P.	28/12	100½p	98p	Findlay 8% Cnv. Cum. Red. Prf.	100p	....
98	£10	—	10¼	9¼	Mid-Southern Water 8% Red. Pref 1984	10¼	....
100p	F.P.	11/1	108p	100½p	Rivington Reed 9½% Cnv. Cum. Red. Pref.	108p	....
**		9/3	98p	95p	Shaw Carpets 10% 2nd Cum. Pref. £1	97p	.....

"RIGHTS" OFFERS

Issue Price p:	Amount Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1978/9 High	1978/9 Low	Stock	Closing Price p:	+ or −
125	F.P.	9/2	23/3	171	154	Baker Perkins	160	−2
C$21½	Nil	—	—	24pm	18pm	Bank of Nova Scotia	19pm	−1
60	Nil	6/3	27/4	18pm	6pm	Burco Dean	16pm	−1
280	F.P.	14/2	6/4	284	238	Haslemere Estates	284	+4
60	F.P.	—	—	67	62	Hawkins & Tipson	67	−1
33	Nil	—	—	6pm	5pm	Hirst & Mallinson	5pm	...
67	Nil	7/3	20/4	16pm	7½pm	Macpherson (D.)	16pm	...
58	F.P.	26/2	26/3	66	61	Montfort	61	...
225	Nil	12/3	20/4	40pm	7pm	Rank Org.	33pm	−6
27	Nil	14/3	25/4	10pm	8pm	Sekers Intl	9pm	−1
18	F.P.	14/2	14/3	26¾	23	Swan Ryan Intl.	26½	..
315	Nil	12/3	2/4	45pm	28pm	Taylor Woodrow	40pm	−1

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security.

BASE LENDING RATES

A.B.N. Bank	13½%	■ Hambros Bank	13½%
Allied Irish Banks Ltd.	13½%	■ Hill Samuel	§13½%
Amro Bank	13½%	C. Hoare & Co.	†13½%
American Express Bk.	13½%	Julian S. Hodge	14½%
A P Bank Ltd.	13½%	Hongkong & Shanghai	13½%
Henry Ansbacher	13½%	Industrial Bk. of Scot.	13½%
Associates Cap. Corp.	14 %	Keyser Ullmann	13½%
Banco de Bilbao	13½%	Knowsley & Co. Ltd.	14½%
Bank of Credit & Cmce.	13½%	Lloyds Bank	13½%
Bank of Cyprus	13½%	London Mercantile	13½%
Bank of N.S.W.	13½%	Edward Manson & Co.	14½%
Banque Belge Ltd.	14 %	Midland Bank	13½%
Banque du Rhone et de la Tamise S.A.	14 %	■ Samuel Montagu	13½%
Barclays Bank	13½%	■ Morgan Grenfell	13½%
Bremar Holdings Ltd.	14½%	National Westminster	13½%
Brit. Bank of Mid. East	13½%	Norwich General Trust	13½%
■ Brown Shipley	13½%	P. S. Refson & Co.	13½%
Canada Perm't Trust	13½%	Rossminster	13½%
Cayzer Ltd.	14 %	Royal Bk. Canada Tst.	13½%
Cedar Holdings	13½%	Schlesinger Limited	13½%
■ Charterhouse Japhet	13½%	E. S. Schwab	14½%
Choulartons	13½%	Security Trust Co. Ltd.	14½%
C. E. Coates	13½%	Shenley Trust	15 %
Consolidated Credits	13½%	Standard Chartered	13½%
Co-operative Bank	*13½%	Trade Dev. Bank	13½%
Corinthian Securities	13½%	Trustee Savings Bank	13½%
Credit Lyonnais	13½%	Twentieth Century Bk.	14½%
Duncan Lawrie	13½%	United Bank of Kuwait	13½%
The Cyprus Popular Bk	13½%	Whiteaway Laidlaw	14 %
Eagil Trust	13½%	Williams & Glyn's	13½%
English Transcont.	13½%	Yorkshire Bank	13½%
First Nat. Fin. Corp.	14 %		
First Nat. Secs. Ltd.	14 %		
■ Antony Gibbs	13½%		
Greyhound Guaranty	13½%		
Grindlays Bank	‡13½%		
■ Guinness Mahon	13½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1-month deposits 11¼%.
† 7-day deposits on sums of £10,000 and under 11%, up to £25,000 11½%, and over £25,000 11¾%.
‡ Call deposits over £1,000 11%.
§ Demand deposits 11%.

CURRENCIES, MONEY and GOLD

An uncertain year for gold

BY COLIN MILLHAM

It is likely to be a nervous and uncertain year in the bullion market. Recent publications on the subject are in general accord on most factors influencing trading, including the volatile nature of the market.

Samuel Montagu in its annual review sees no reduction in speculative activity, and that much will depend on the performance of the dollar in coming months.

According to a precious metals survey published in Zurich recently by Credit Suisse, the market is becoming increasingly reliant on supplies from official reserves.

Samuel Montagu and Credit Suisse agree that total supplies in 1979 will increase by at least 20 per cent, if U.S. Treasury sales continue at their present level, and that this could lead to a major setback for the market.

Montagu feels that a large fall is unlikely however as long as confidence in currencies remains at a low level. The British bank also points out that if U.S. anti inflationary measures succeed, and a rising dollar leads to a sharp fall by gold, central banks can be expected to absorb the metal to prevent too sharp a decline in the value of their market related reserves.

Credit Suisse suggests that the series of U.S. auctions is unlikely to end before September, but that supplies from other sources, such as South Africa and the Soviet Union may tend to ease. The Bank says that South Africa is reserving large amounts of its output for krugerrand minting, while Soviet supplies have stopped. Montagu, however, estimates that Soviet sales were 430 tonnes in 1978, out of total market supplies of 1,840 tonnes, and that Russian sales will continue this year.

Where the price will move in 1979 is difficult to foretell, while the $250 level has seemed to be something of a pschological barrier recently. It may be interesting to note that Heraeus Handelsgesellschaft, a German precious metal dealer, has suggested that it may reach $300, helped by the present wave of political unrest around the world, but also mentioned the possibility of at least one US gold auction of 5 million ounces, compared with 1.5m at present.

GOLD

	Mar. 2	Mar. 1
Gold Bullion (fine ounce)		
Close	$246¾-247½	$248¾-249½
Opening	$248¼-249	$249¾-250½
Morning fixing	*$248.70 (£123.009)	$249.30 (£123.306)
Afternoon fixing	$248.00 (£122.621)	$248.80 (£122.967)
Gold Coins, domestically		
Krugerrand	$269-273 (£133-135)	$271-273 (£134½-136½)
New Sovereigns	$69¼-71¼ (£34¼-35¼)	$69¾-71¾ (£34½-35½)
Old Sovereigns	$75-77 (£37-38)	$75-77 (£37-38)
Gold Coins, internationally		
Krugerrand	$254-256 (£125½-126½)	$255½-257½ (£126½-127½)
New Sovereigns	$64½-66½ (£31¾-32¾)	$64½-66½ (£32-33)
Old Sovereigns	$75-77 (£37-38)	$75-77 (£37-38)
$20 Eagles	$315-320	$315-320
$10 Eagles	$173-178	$175-178
$5 Eagles	$119-124	($121-125)

* Rate for January 23 should have been $230.80, and February 23 $252.10.

CURRENCY MOVEMENTS

Mar. 2	Bank of England Index	Morgan Guaranty changes %
Sterling	64.46	−39.9
U.S. dollar	84.73	−8.2
Canadian dollar	79.47	−16.2
Austrian schilling	147.28	+19.8
Belgian franc	114.46	+14.9
Danish krone	118.06	+6.8
Deutsche Mark	150.63	+42.2
Swiss franc	195.31	+82.2
Guilder	125.21	+21.1
French franc	99.43	−6.2
Lira	54.21	−49.4
Yen	140.74	+39.6

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

THE DOLLAR SPOT AND FORWARD

March 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK	2.0200-2.0230	2.0215-2.0225	0.40-0.30c pm	2.08	0.97-0.87 pm	1.82
Ireland	2.0200-2.0230	2.0215-2.0225	0.40-0.30c pm	2.08	0.97-0.87 pm	1.82
Canada†	84.38-84.55	84.52-84.55	par-0.2c pm	0.21	0.3-0.1 dis	−0.12
Nethlnd.	2.0040-2.0070	2.0040-2.0060	0.63-0.58c pm	3.68	1.79-1.73 pm	3.42
Belgium	29.34-29.40	29.38-29.40	9½-8½c pm	3.40	23½-22 pm	2.94
Denmark	5.1870-5.2055	5.1885-5.1900	par-0.5ore dis	−0.56	2.0-2.50 dis	−1.69
W. Ger.	1.8555-1.8585	1.8555-1.8565	1.12-1.08pf pm	6.84	3.05-3.01 pm	6.31
Portugal	47.57-47.73	47.63-47.73	30-40c dis	−8.81	70-135 dis	−8.60
Spain	69.09-69.25	69.09-69.14	18-33c dis	−4.28	50-70 dis	−3.39
Italy	841.50-842.50	841.50-841.90	0.60-0.90lire dis	−1.10	2.8-3.3 dis	−1.51
Norway	5.0870-5.0920	5.0872-5.0882	1.0-0.5ore pm	1.60	1.8-1.3ore pm	1.23
France	4.2810-4.2865	4.2810-4.2835	1.18-1.08c pm	2.98	2.8-2.65 pm	2.49
Sweden	4.3640-4.3705	4.3650-4.3680	0.80-0.60ore pm	2.26	2.25-2.05 pm	2.10
Japan	204.60-205.20	204.60-204.80	1.38-1.28y pm	7.37	3.65-3.5 pm	6.83
Austria	13.60-13.61½	13.60-13.61	7.75-6.75gro pm	6.29	21-18 pm	5.60
Switz.	1.6750-1.6795	1.6765-1.6770	1.54-1.50c pm	10.48	4.42-4.38 pm	10.22

† U.S. cents per Canadian $.

THE POUND SPOT AND FORWARD

March 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0200-2.0230	2.0215-2.0225	0.40-0.30c pm	2.08	0.97-0.87 pm	1.83
Canada	2.3895-2.4000	2.3980-2.3990	0.45-0.35c pm	2.00	1.05-0.95 pm	1.67
Nethlnd.	4.04-4.06½	4.04½-4.05½	2¼-1¼c pm	5.18	5½-4½ pm	5.18
Belgium	59.25-59.55	59.40-59.50	30-20c pm	5.05	75-65 pm	4.71
Denmark	10.47½-10.52½	10.48-10.49	2¼-¼ore pm	1.43	1 pm-1 dis	par
W. Ger.	3.74-3.77	3.75-3.76	3¼-2¼pf pm	8.79	8¼-7¼ pm	8.26
Portugal	96.00-96.65	96.10-96.60	30-100c dis	−8.10	40-210 dis	−5.19
Spain	139.60-139.90	139.60-139.70	15-65c dis	−3.01	30-140 dis	−2.43
Italy	1,699-1,703	1,700-1,701	1¼lire pm-¾lire dis	0.18	1½ pm-½ dis	0.12
Norway	10.27½-10.30½	10.28-10.29	4¾-2¼ore pm	3.79	8½-6½ pm	2.92
France	8.64½-8.68	8.65-8.66	4½-3½c pm	6.20	9½-8½ pm	4.04
Sweden	8.81½-8.84½	8.81¾-8.82¾	3½-1½ore pm	3.40	8¾-6¾ pm	3.51
Japan	410-418	413-415	3.50-3.30y pm	9.86	9.30-9.00 pm	8.84
Austria	27.45-27.60	27.50-27.55	25-15gro pm	8.72	57-47 pm	7.70
Switz.	3.38-3.40½	3.38¾-3.39¾	3¾-2¾c pm	11.05	10¼-9¼ pm	12.09

Belgium rate is for convertible francs. Financial franc 60.05-60.15.
Six-month forward dollar 1.55-1.45c pm; 12-month 3.15-3.05c pm

OTHER MARKETS

Mar. 2	£	$		£ Note Rates
Argentina Peso	2227-2247	1100-1110	Austria	26.75-27.75
Australia Dollar	1.7970-1.8010	0.8895-0.8900	Belgium	59.5-60.5
Brazil Cruzeiro	44.55-45.35	21.95-22.45	Denmark	10.46-10.56
Finland Markka	8.03-8.04	3.9715-3.9765	France	8.61-8.71
Greek Drachma	73.118-74.900	36.15-37.05	Germany	3.70-3.80
Hong Kong Dollar	9.74¼-9.75¾	4.8260-4.8300	Italy	1,670-1,720
Iran Rial	147.60-157.70	73-78	Japan	408-418
Kuwait Dinar (KD)	0.550-0.560	0.2748-0.2749	Netherlands	4.00-4.10
Luxembourg Frc.	59.40-59.50	29.38-29.40	Norway	10.24-10.34
Malaysia Dollar	4.43½-4.44¾	2.1940-2.1950	Portugal	89.5-96.5
New Zealand Dlr.	1.9150-1.9310	0.9474-0.9497	Spain	139.5-144.5
Saudi Arab. Riyal	6.74-6.84	3.3605-3.3625	Switzerland	3.35-3.45
Singapore Dollar	4.37½-4.38¾	2.1680-2.1690	United States	2.0200-2.0300
Sth. African Rand	1.7015-1.7139	0.8415-0.8470	Yugoslavia	41-43

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Mar. 2	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.022	3.755	414.0	8.655	3.393	4.053	1701.	2.399	59.45
U.S. Dollar	0.495	1.	1.857	204.7	4.280	1.678	2.004	841.0	1.186	29.40
Deutschemark	0.266	0.538	1.	110.3	2.306	0.903	1.079	452.9	0.639	15.83
Japanese Yen 1,000	2.415	4.884	9.070	1000.	20.91	8.194	9.789	4107.	5.795	143.6
French Franc 10	1.155	2.336	4.339	478.3	10.	3.920	4.682	1965.	2.771	68.69
Swiss Franc	0.295	0.596	1.107	122.0	2.551	1.	1.195	501.3	0.707	17.52
Dutch Guilder	0.247	0.499	0.927	102.2	2.136	0.837	1.	419.6	0.592	14.67
Italian Lira 1,000	0.588	1.189	2.208	243.5	5.090	1.995	2.383	1000.	1.410	34.96
Canadian Dollar	0.417	0.843	1.566	172.6	3.609	1.414	1.690	709.0	1.	24.79
Belgian Franc 100	1.682	3.401	6.316	696.4	14.56	5.706	6.817	2860.	4.034	100.

LONDON MONEY RATES

Mar. 2 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ɸ	Eligible Bank Bills ɸ	Fine Trade Bills ɸ
Overnight	—	4-14	—	—	—	—	10-13	—	—	—
2 days notice	—	—	13-13⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	13-13⅛	13⅛-13⅜	—	13⅝	13½	12⅞	—	—	—
One month	13-12⅞	13-13⅛	13⅛-13¼	13¼-13½	13⅝	13⅝	12⅝	11⅞	13	13½
Two months	12¾-12⅝	12⅞-12⅝	—	12⅝-12¾	13	—	12¼	11¾	12⅝	13
Three months	12⅜-12¼	12⅝-12⅝	12½-13½	12⅛-12½	12¾	12⅞	12	11⅝	12-12⅛	12½
Six months	11⅞-11¾	11⅞-11¾	12⅜-13	11⅝-11¾	12¼	—	—	—	11⅝-11⅝	12¼
Nine months	11¾-11⅝	11⅞-11⅝	—	12	12⅛	—	—	—	—	—
One year	11¾-11⅝	11¾-11⅞	11¾-12	11⅝-13	12	—	—	—	—	—
Two years	—	—	12-12½	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Long-term local authority mortgage rates nominally three years 12¾-12⅞ per cent; four years 12⅞-12⅞ per cent; five years 12⅞-13 per cent. ɸ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11⅝-11¾ per cent; four-month trade bills 12½ per cent.

Aproximate selling rates for one-month Treasury bills 11¾ per cent; two-month 11⅝ per cent; three months 11⅝-11⅝ per cent. Approximate selling rate for one-month bank bills 12⅝-12⅞ per cent; two-month 12⅞ per cent; and three-month 11⅞-11⅝ per cent; one-month trade bills 13⅜ per cent; two-month 12⅞ per cent; and three-month 13⅜ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13½ per cent from March 1, 1979. Clearing Bank Deposit Rates for small sums at seven days notice 11 per cent. Clearing Bank Rates for lending 13½ per cent. Treasury Bills: Average tender rates of discount 11.9709 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5-11.75
Fed Funds	10.125
Treasury Bills (13-week)	9.42
Treasury Bills (26-week)	9.47

GERMANY

Discount Rate	3
Overnight Rate	4.075
One month	4.15
Three months	4.275
Six months	4.90

FRANCE

Discount Rate	9.5
Overnight Rate	6.625
One month	6.9375
Three months	7.3125
Six months	8.0625

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.5
Bills Discount Rate	4.5625

INSURANCE

Hope for insurers in U.S. draft law

BY OUR INSURANCE CORRESPONDENT

PRODUCT liability problems, particularly in the North American context, continue to make insurers anxious. So operators on both sides of the Atlantic must be cautiously optimistic for some improvement — admittedly not immediate but long term—in U.S. products litigation, now that the U.S. Department of Commerce has unveiled its draft model product liability law.

It results from a study by a working party — the "Task Force on Product Liability and Accident Compensation" — chaired by Professor V. E. Schwarz of the University of Cincinnati Law School. The working party's job was to examine the ever-increasing liability burden on manufacturers and retailers in the U.S.—and on their insurers. The outside observer might think this burden is very much caused by the activities of consumerist lawyers, the workings of the American contingent fee system, and the unpredictability of American civil juries.

The draft model law makes no attempt to deal with these fundamental features of the U.S. legal scene. In its final form, and when approved and enacted by each individual state legislature wanting it, the law must work within each state's existing legal system, subject to that system's constraints.

The working party requested comment and criticism on the draft within 45 days. One wonders how strict it will be in keeping to its own timetable. It says it hopes to publish a final version of the draft model law by mid-summer.

The main—and excellent—aim of the model law is to balance the interests of product users and sellers, implying surely that things had gone much too far in the users' favour. With this model law, the working party sets out six criteria for evaluating the new law's provisions. Top place goes to insurance, for the first criterion is to: "Ensure the availability of affordable product liability insurance with adequate coverage, to product sellers that engage in reasonably safe design and quality control practises."

Price and availability of product liability insurance is crucial to the successful operating of product liability laws, whether established by statute or judicial process. Applying the full rigour of the law is a useless luxury for the victims if firms in the manufacturing and supply chain have not the funds to pay compensation, and have been unable to secure insurance protection. The fast-rising price and ever-reducing availability of products liability cover in the U.S. has been one of the underlying causes of the need for Professor Schwarz and his team to reassess product liability law.

It believes insurance should not be available for all manufacturers—however unsafe their practises—but only for those who "follow reasonably safe manufacturing processes." The working party appears to think that, as this new law becomes more widely adopted, insurers will be able to assess risks more accurately and sort out the manufacturing sheep and goats. They may put some of the "rogues" out of business by withholding insurance.

Another criterion—to "minimise the sum of accident costs, prevention costs and transaction costs"—is not easy to fulfil within the tort litigation system, the working party admits. One way to minimise transaction costs, it says, would be to abolish trial by jury. But it feels "this would be at the expense of other societal values which are particularly important in product liability cases, such as the need for the individualised judgment of cases and the experience of ordinary persons in making those judgments."

A point of view certainly, but insurers in and out of the U.S. must hope that another task force in a few years will grasp this particular nettle much more firmly.

APPOINTMENTS

Senior post at LPC holdings

Mr. John L. Robinson, who joined the group in May 1978 as group financial controller, has been appointed group financial director of LCP HOLDINGS.

★

Mr. R. Fletcher has been appointed a director of FEN-SECURE, a member of Ductile Steels.

★

Baird Textile Holdings states that Mr. Arthur Moseley has retired as managing director of MOSS BRIDGE YARN but remains chairman of that Board. His successor is Mr. Derek Miles, production director of Venture Carpets.

★

Mr. Arthur Brown has been elected president of the British section of the SOCIÉTÉ DES INGENIEURS ET SCIENTIFIQUES DE FRANCE (formerly known as the Société des Ingénieurs Civils de France).

★

Mr. Jim Potter has been appointed a director and general manager of the Bristol based operations of JAMES CLARK AND EATON.

★

Mr. Gert Salzmann has been appointed general manager of MARSTON OELCHEMIE GmbH, Cologne, a subsidiary of Marston Lubricants.

★

Mr. C. A. Toone has been appointed a director of AUDITS OF GREAT BRITAIN responsible to the operations director for all aspects of data processing.

★

Mr. B. B. Carey and Mr. W. J. Woodhouse have been appointed joint managing directors of FRY'S METALS GROUP following the retirement of Mr. V. B. Elliott. Mr. B. B. Carey becomes managing director of Fry's Metals Limited. Mr. W. J. Woodhouse is chairman of the other operating companies in the group — Durastic, Geo. Johnson and Co. (Birmingham) and Fry's Metals (Graphics), while continuing as assistant managing director of Fry's Metals Ltd responsible for sales and for the Flowsolder and Bronze divisions. Mr. M. J. G. Henderson has been made vice chairman of Fry's Metals Group.

★

Mr. Chris Evans has been appointed by CLEAN BLINDS, a member of the OCS Group, chairman of a sub-group specialising in blind manufacturing and servicing. He will be responsible for the further development of the four companies within the group: Clean Blinds, Lelliotts (Worthing), Edwin Phillips and J. W. Dixon and Son.

★

TUDOR SAFETY GLASS COMPANY, part of the Royal Doulton group, has been reorganised into two separate divisions. Mr. Geoff Barrett is managing director of the architectural glass section, while Mr. Ken Ball is appointed managing director for the laminated windscreen department.

★

Mr. S. H. Preston has been appointed marketing director of PLATT SACO LOWELL, a subsidiary of Stone-Platt Industries. He takes over responsibility for the total marketing function from Mr. N. K. Evans who retains the position of deputy chairman.

Public Works Loan Board rates

Effective from March 3

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	12¾	12¾	13⅛	13⅛	13¼	13⅜
Over 5, up to 10	13⅛	13¼	13⅜	13⅝	13¾	14⅛
Over 10, up to 15	13½	13⅝	13¾	14	14⅛	14½
Over 15, up to 25	13⅝	13¾	13¾	14⅛	14¼	14¼
Over 25	13¾	13¾	13¾	14¼	14¼	14¼

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed, equal half-yearly payments to include principle and interest). § With half-yearly payments of interest only.

TEL AVIV

Company	Prices Mar. 4 1979	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	372	− 15.0
IDB Bankholding	393	—
Bank Hapoalim Br.	566	+ 2.0
Union Bank of Israel Br.	406	− 6.0
United Mizrahi Bank	265	− 10.0
Hassneh Insurance Br.	409	− 2.0
General Mort. Bank Br.	379	− 14.0
"Tefahot" Israel Mt. Bk.	345	− 13.0
Land Development		
Africa Israel Inv. I£10	960	−110.0
Israel Land Devpt. Br.	228	+ 0.5
Property and Building	325	− 20.0
Public Utility		
Israel Electric Cpn.	305	− 10.0
Investment Companies		
Bank Leumi Invest.	375	− 41.0
"Clal" Israel Invest.	371	− 7.0
Discount Invest.	301	− 15.0
Commercial and Industrial		
Alliance Tire & Rubber	1,395	− 25.0
Elco Br.	220	− 10.0
Argaman Textile Br.	338	+ 1.0
"Ata" Textile "B"	193	− 6.0
Amer. Israeli Paper Mills	578	− 2.0
Assis	394	+ 24.0
Elite	330	− 15.0
Teva Reg.	684	− 13.0
Fuel and Oil		
Delek	301	− 5.5

Source: Bank Leumi le-Israel BM, Tel Aviv.

WORLD STOCK MARKETS

Indices

NEW YORK —DOW JONES

	Mar. 2	Mar. 1	Feb. 28	Feb. 27	Feb. 26	Feb. 23	1978-79 High	1978-79 Low	Since Compil'tn High	Since Compil'tn Low
◆ Industr'ls	815.75	815.84	808.82	807.00	821.12	825.28	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	84.43	84.42	84.50	84.57	84.62	84.90	90.66 (4/1/78)	84.08 (15/1/79)	—	—
Transport	208.56	207.58	205.83	206.78	210.66	211.19	261.48 (8/9)	189.51 (9/1/78)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	105.11	105.11	102.80	102.23	105.45	104.16	110.88 (3/1)	97.75 (20/12)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's†	23,190	23,839	25,170	31,470	22,620	22,840	—	—	—	—

◆ Day's high 818.17 low 807.26

Ind. div. yield %	Feb. 23	Feb. 16	Feb. 9	Year ago (approx)
	5.95	5.91	5.95	6.14

STANDARD AND POORS

	Mar. 2	Mar. 1	Feb. 28	Feb. 27	Feb. 26	Feb. 23	1978-79 High	1978-79 Low	Since C'mpil't'n High	Since C'mpil't'n Low
‡Indust'ls	107.54	107.55	107.26	107.08	108.87	108.96	118.71 (12/9)	95.52 (6/5)	134.64 (11/1/73)	3.53 (30/6/32)
§Composite	96.97	96.90	96.28	96.13	97.67	97.78	106.99 (12/9)	86.90 (6/5)	125.85 (11/1/63)	4.40 (1/6/32)

	Feb. 28	Feb. 21	Feb. 14	Year ago (approx).
Ind. div. yield %	5.28	5.07	6.07	5.57
Ind. P/E Ratio	8.73	9.01	8.98	8.40
Long Gov. Bond Yield	9.06	9.01	8.98	8.25

N.Y.S.E. ALL COMMON

Mar. 2	Mar. 1	Feb. 28	Feb. 27	1978-79 High	1978-79 Low
54.37	54.30	53.93	53.88	60.38 (11/9)	48.37 (6/3)

Rises and Falls

	Mar. 2	Mar. 1	Feb. 28
Issues Traded	1,845	1,822	1,833
Rises	795	929	645
Falls	605	456	750
Unchanged	445	437	438
New Highs	—	12	9
New Lows	—	18	39

	Mar. 2	Mar. 1	Feb. 28	Feb. 27	1978-79 High	1978-79 Low
MONTREAL Industrial	234.71	233.54	233.52	233.82	238.45 (21/2/79)	162.80 (16/2)
Combined	238.35	235.98	236.11	238.68	238.89 (21/2/79)	170.82 (30/1)
TORONTO Composite	1388.0	1387.5	1395.4	1395.3	1399.1 (21/2/79)	998.2 (30/1)
JOHANNESBURG Gold	269.2	275.8	279.4	281.1	290.7 (7/2/79)	189.8 (20/4)
Industrial	302.0	302.1	305.5	306.5	308.9 (13/2/79)	194.9 (13/3)

	Mar. 2	Previous	1978-9 High	1978-9 Low
Australia(¶)	590.14	587.67	590.14 (2/3/79)	411.15 (1/3)
Belgium (‖)	104.80	104.88	105.82 (23/2/79)	90.43 (23/6)
Denmark(**)	92.98	92.70	98.95 (14/6)	82.08 (30/10)
France (††)	(u)	(u)	83.0 (4/10)	47.8 (3/2)
Germany(‡‡)	785.70	782.3	883.8 (19/10)	759.4 (17/5)
Holland (§§)	79.5	79.1	93.1 (11/8)	76.0 (4/4)
Hong Kong (¶¶)	522.00	517.34	707.70 (4/9)	383.4 (13/4)
Italy (‖‖)	76.35	76.50	83.25 (25/9)	55.45 (10/1)
Japan (a)	442.81	442.85	462.97 (31/1/79)	364.04 (4/1)
Singapore(b)	350.05	349.17	414.50 (8/9)	252.0 (9/1)
Spain (d)	103.31	98.13	103.31 (2/3/79)	93.08 (12/1/78)
Sweden (c)	370.11	368.07	408.00 (4/8)	325.74 (3/1)
Switzerld(f)	313.0	311.1	323.7 (14/2)	251.6 (28/8)

Indices and base dates (all base values 100 except NYSE All Common—50: Standards and Poors—10: and Toronto 300—1,000: the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 30/12/77. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

EUROPE

AMSTERDAM

BRUSSELS/LUXEMBOURG

SPAIN

TOKYO

COPENHAGEN

VIENNA

STOCKHOLM

GERMANY

SWITZERLAND

HONG KONG

BRAZIL

Turnover Cr. 89.1m. Volume 62.2m.
Source: Rio de Janeiro SE.

MILAN

AUSTRALIA

JOHANNESBURG

Financial Rand U.S.$0.81
(Discount of 41%)

OSLO

PARIS

CANADA

WALL STREET

NEW YORK

هكذا من الأهل

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS — BY OUR EUROMARKETS STAFF

Another big week for Sterling bonds

TRADING and new issue activity in the main sectors of the international bond market slowed to a snail's pace last week.

The running in Eurobonds was largely made by Eurosterling and Special Drawing Rights issues, a reflection of the becalmed state of the dollar and D-mark markets.

S. G. Warburg took speedy advantage of an extraordinary phase in the gilts market to launch a Eurosterling bond for Finance for Industry. So fast were gilt prices moving that the offered yield of 13 per cent was quickly left high and dry by the equivalent gilt yield. By the end of the week the latter was 12½ per cent for 11 years. Warburg raised the size of the bond from £10m to £15m but even so the issue was massively oversubscribed.

With this success behind it, the market was almost unanimous on Friday night that more sterling issues would appear, yet no names were mentioned. It remains a borrower with rather specialised requirements that is willing to pay 13 per cent for a decade.

Obvious candidates are European agencies like the ECSC or the EIB, British companies wishing to invest overseas, or foreign companies planning investment in Britain. The notion of floating Euro-sterling bonds to buy gilts is today much less attractive. The yield differential is vanishing, perhaps to compensate for the secondary market's rickety reputation.

The new launching in SDRs of an SDR 20m five-year issue from the Nordic Investment Bank is reportedly already oversubscribed. The bonds, bearing 9 per cent and priced at par, are an attractive proposition for this borrower, whose capital is also denominated in the IMF's accounting unit.

In Eurodollar bonds, the only new issue scheduled is $75m in two-tranches for the European Investment Bank. The issue, to be managed by Istituto Bancario San Paoli di Torino, will be largely placed in Italy. The $50m seven-year tranche bears 9½ per cent, the $25m 12-year offering 9¾ per cent.

There was general market agreement with the decision by the managers Kidder Peabody last week to cancel the $25m Itel bond. While the issue was apparently fully covered, it would have clearly moved to a deep discount in the after-market, analysts said.

Seasoned dollar bonds have meanwhile moved down further to a level where yields substantially over 10 per cent are frequently being displayed—a return to yield levels last ruling in 1974/75.

Nevertheless, the absence of new offerings, a slightly lower level in Eurodollar interbank rates, and more tangible signs of a U.S. economic slowdown may be leaving bonds in a slightly stronger technical position, analysts suggest.

The $100m Citicorp floating rate notes were in strong demand and started trading at 99-99½ compared with its par pricing.

In Deutsche Marks, the calendar of new foreign issues will be substantially lighter this month than at any time since last summer: a total of DM 450m worth of bonds, to which could be added an issue for an international organisation which would not technically be listed in the calendar, is scheduled.

In February, DM 950m of bonds were scheduled but about one third of the volume never reached the market.

The largest of the latest issues, which was postponed last month, is the DM 200m offering for Norway via Deutsche Bank.

Two further public issues, of DM 100m each, are expected through Dresdner Bank and Westdeutsche. Both are believed to be for European addresses. At the end of March Berliner Handels-und Frankfurter Bank is expected to announce a DM 50m private placement.

German bankers are optimistic that the Deutsche Mark markets have now seen yields rise to levels where stability in terms should be created. The combination of heavy issuing activity and aggressive Government funding through schuldshein (promissory note) offerings had brought disarray to German capital markets, they noted.

One major German bank considers that prime quality foreign names should now command coupons ranging from 6¼ to 6½ per cent for five-year bonds, rising to some 7 per cent for 10-year offerings.

The great Honda backfire

A BLOCK of the $50m 5½ per cent convertible from Honda Motor, offered late last month at par, changed hands last week at what dealers described as the "unbelievable" price of 88.

Veteran traders reckon this marks the sharpest, swiftest fall by a new bond in recent years.

The bonds were offered with the conversion price fixed at Y532 or 9.9 per cent above Honda shares' closing price on February 20. Since then, the yen has weakened against the dollar, making the conversion incentive less attractive. Unsettled by oil price rises and the China/Vietnam conflict, the Tokyo Stock Market has also been in retreat.

The 12 per cent cut in the nominal value of the Honda bonds means that holders are incurring a book loss of $6m between them.

CURRENT EUROBOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡Prov. Newfoundland	50	1994	12.28	10	99½	CCF	10.32
†Banco Urquijo	30	1986	7	6Φ	100	Société Générale	6.09Φ
†Citicorp	100	1994	15	6Φ	100	Crédit Suisse First Boston	6.09Φ
†Thailand	30	1984	5	7Φ	100	Man. Hanover Ltd., BNP	7.12Φ
†Banco de la Nacion	50	1986	7	7Φ	100	Salomon Bros.	7.12Φ
‡††City of Stockholm	60	1994	10½	9¾	99	Morgan Stanley	10.12
D-MARKS							
‡Megal Finance	150	1989	• 9	7	99½	Dresdner Bank	7.03
Banco Nacional de Desarrollo	100	1986	7	7¼	99	WestLB	7.44
‡Nippon Kokan (g'teed Fuji Bank)	100	1984	5	6½	99¾	Dresdner Bank	6.80
‡**Lufthansa (Curacao)	50	1986	7	6½	100	Deutsche Bank	6.50
**§Chujitsuya Co.	30	1986	—	5	100	Bayerische Vereinsbank	*
**Autopistas Con. Espanola	41.5	1985	—	7¼	100	WestLB	7.25
SWISS FRANCS							
‡CNT	150	1986	n.a.	2¾	99¼	SBC	2.87
Canada	300	1989	n.a.	3⅝	*	UBS	*
‡**Canada	500	1985	n.a.	3	100	UBS	3.00
‡**§Hisamitsu	30	1985	—	2¾	100	SBC	2.75
‡**Sweden	200	1986	n.a.	3	100	SBC	3.00
‡**ESCOM	60	1984	n.a.	5½	100	Crédit Suisse	5.50
‡**Oesterreichische Kontrollbank	100	1991	n.a.	3¾	99	SBC	3.86
‡**Mitsubishi Heavy Ind. (g'teed Mitsubishi Bk.)	200	1986	n.a.	3¼	100	SBC	3.25
‡**§Honda	100	1985	—	2¾	100	UBS	2.75
STERLING							
FFI	15	1991	9	13	100	S. G. Warburg	13.00
KUWAITI DINARS							
Korea Dev. Bank	12	1984/89	—	7⅞	100	Nat. Bank of Kuwait, Merrill Lynch Int.	7.87
SPECIAL DRAWING RIGHTS							
Nordic Inv. Bank	20	1984	5	9	100	S. G. Warburg	9.00

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. Note: Yields are calculated on AIBD basis.

INTERNATIONAL DEBT — BY MARY CAMPBELL

Record growth rate for Euromarkets

THE EUROMARKET grew at a record rate during the third quarter of last year, according to the latest figures from the Bank for International Settlements (BIS). Growth of international lending was $68bn, to a total of $802bn on a gross basis and by $50bn after allowing for the fall in the dollar's value. After excluding double counting due to inter-bank business, the growth of the market may be estimated at $25bn, probably the highest ever quarterly figure.

The rate of growth was particularly notable since there is usually a slow down of activity during the third quarter. This sharp rise may further stimulate discussion of the Euromarket's role in promoting currency instability and upsetting domestic monetary policies.

It is important therefore to note that although the BIS attributes part of the increase in inter-bank business to the renewal of foreign exchange market unrest in the third quarter of last year, it says that the expansionary impetus came predominantly from the supply side of the market. The combination of the continued large balance of payments deficit of the U.S. and weak domestic demand for credit in some leading industrial countries are quoted as the main culprits.

It also notes that during the third quarter the international banking system was channelling funds *into* the U.S. on a net basis.

A major source of funds borrowed on the Euromarkets was redeposited by central banks. The BIS has identified a $7.8bn increase in central bank deposits with international commercial banks during the quarter, which means that the actual figure was larger.

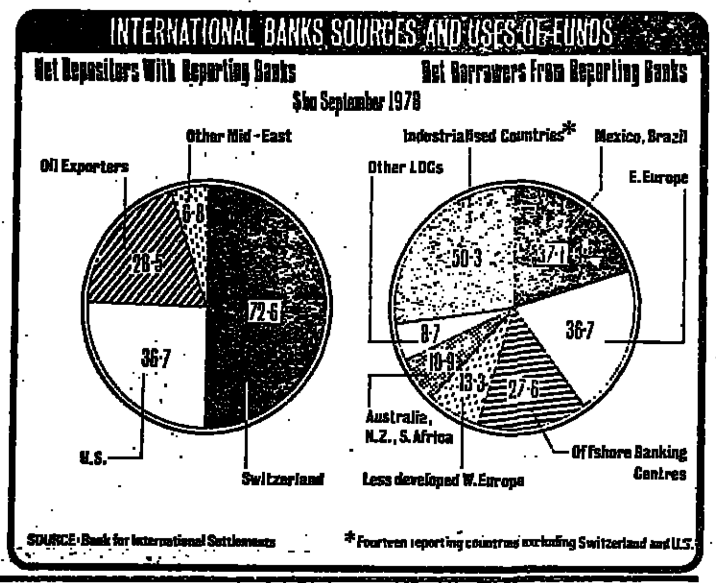
Of the $7.8bn, more than half was non-dollar deposits. Although valuation changes account for a big proportion of this increase, over $2bn of new deposits were identified as being placed by central banks in currencies other than the dollar, mainly Swiss francs and Deutsche Marks, during the third quarter.

The biggest net borrowers during the third quarter were the oil-exporting countries which raised $4.7bn of new loans (or $4.4bn net of an increase in deposits). This big net borrowing continued an established trend. Venezuela, which raised a net $1½bn, was again a major factor here.

Eastern European countries also increased their borrowing sharply—by $3.9bn gross, or $2.8bn net of an increase in deposits. This brought the total increase in their borrowing during the first three quarters of the year to $7.8bn.

Since recorded medium-term loans and bond issues amounted to only $3.3bn during the whole of 1978, it may be assumed that East European countries have been doing a lot of borrowing on a private basis from western banks. Poland alone increased its borrowing by over $1bn during the third quarter, while increasing its deposits with international banks by under $100m.

Despite $5.8bn of new borrowing, non-oil less developed countries again became net suppliers of funds to the international banks during the third quarter.



SOURCE: Bank for International Settlements. * Fourteen reporting countries excluding Switzerland and U.S.

U.S. BONDS — BY DAVID LASCELLES

A host of contradictions

FORCES BEARING on the credit markets are now so contradictory that you can read into them what you will. Those who think—or hope—that bond prices will rise point towards the decline in the leading economic indicators for the third consecutive month, the continuing drop in the money supply, and the fact that key interest rates like Fed funds and the prime have been stable for nearly two months.

All these suggest that the much predicted peak in the economic cycle is at hand.

But those who are bearish about prices argue that the decline in the leading indicators is due mainly to the drop in the money supply, which no one believes in any more. They also point to the persistence of inflation, now likely to be boosted by higher oil prices, the fragility of the dollar, and the chance that the present economic boom could last till the end of the year before running into a credit crunch.

Such opposing views explain why the market moved this way an dthat last week, without producing any firm trends.

Yields on medium term treasury issues were down 3 to 5 points after having shown some strength in the middle of the week, but yields on industrials and utilities were generally up by about 5 points. According to Salomon Brothers' estimates, yields and new medium and long term triple A utilities ended the week at 9.65 per cent, with top grade industrials yielding 9.40 per cent in the medium term and 9.20 in the long term.

But though the market appeared to end the week on a stronger note, new issues indicated that underlying trends are mixed. The latest Bell System issue on Tuesday, $250m of South Central Bell debentures due in 2019, carried an interest rate of 9⅝ per cent, and were priced to yield 9.66 per cent. This is the highest yielding Bell issue for three years, and it sold briskly.

But two Government issues brought declining yields. The sale of $2.5bn of four-year notes produced an average yield of 9.35 per cent, less than the 9.45 per cent of last December's sale of similar notes. The sale of one-year notes produced a discount of 9.485 per cent, again slightly below the January level.

The week's only Yankee bond sale, Stockholm's tripple A$60m of 9¾ per cent debentures, was priced at 99 to yield 9.88 per cent, unchanged from Norway's issue in mid-January.

Tomorrow brings the latest consumer credit figures for January. These are expected to show a further rise as the consumer persists with his spending spree to beat inflation. The high level of consumer credit is already a source of concern.

Mr. Alan Lerner, economist at Bankers Trust, says he expects another "dismal showing" in the PPI, probably approaching January's 1.3 per cent. But the economy's high level of activity has brought "tremendous vitality" to the employment market, he says, and the unemployment figures "could notch downwards, or at least remain unchanged."

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aga Akt. 9¾ 88	25	94⅛	94⅝	+0⅛	0	10.20
ECA 8¾ 87	50	93⅛	93⅝	−0⅛	−0⅛	9.95
ECA 9¼ 84-89	50	96⅛	96⅝	0	0	9.84
CNT 9 93	75	94⅛	94⅝	0	0	9.74
Canada 9 83	400	98	98½	+0⅛	+0½	9.70
Canada 9¼ 98	350	95¾	96¼	0	−0⅛	9.94
Canadair 8½ 83	70	94¼	94¾	+0⅛	+0⅛	10.12
Dominion Bridge 9 86	25	93½	94	−0⅛	−0⅛	10.24
EIB 9¾ 98	125	93¼	93¾	−0⅛	−0⅛	10.14
Export Dv. Cpn. 9.85 84	150	100¼	100¾	+0⅛	+0⅛	9.95
Eksportfinans 9 86	50	95¼	95¾	+0⅛	+0⅛	9.85
Finland 8¾ 83	100	95½	96	0	−0⅛	10.23
Finland 9 88	100	94⅞	95⅜	0	+0⅛	10.08
Finland 9½ 86	100	96⅝	97⅛	−0⅛	−0⅛	10.14
GTE Fin. 9½ 84	50	97¼	97¾	0	+0⅛	10.16
Gould Int. Fin. 9¾ 85	50	98¼	98¾	+0⅛	+1⅛	9.98
Hospital O/S 9 83	25	96¼	96¾	0	−0⅛	9.97
Hudson Bay Co. 10 94	50	99⅜	99⅞	0	−0⅛	10.05
Itel Finance 9¾ 90	30	93⅞	94⅜	0	+0½	10.64
J. C. Penney 8½ 83	100	95¾	96¼	+0⅛	+0⅛	9.78
Manitoba 9½ 89	75	96⅛	96⅝	−0⅛	−0⅛	10.09
NZ Dev. Fin. 8⅛ 83	20	93⅜	93⅞	+0⅛	+0⅛	10.02
NZ Dev. Fin. 8⅜ 85	20	92⅞	93⅜	+0⅛	0	9.89
Nat. West. 9 86	75	96⅛	96⅝	0	−0⅛	9.70
New Brunswick 9¾ 94	75	96⅞	97⅜	0	+0⅛	10.13
Newfoundland 9¾ 90	50	95⅜	95⅞	0	−0⅛	9.90
Nord. Inv. Bk. 8¾ 88	25	94⅜	94⅞	0	0	9.65
Norsk Hydro 9⅜ 94	50	94⅝	95⅛	0	−0⅛	9.92
Norway 7⅞ 83	250	92¾	93¼	+0⅛	+0⅛	10.00
Norway 8¾ 83	150	96¼	96¾	0	−0⅛	9.99
Norway 9¾ 84	150	99¾	100¼	0	+0⅛	9.95
Ont. Hydro 8½ 85	125	93¼	93¾	+0⅛	+0⅛	9.93
Quebec Hydro 9½ 93	50	96¼	96¾	0	−0⅛	9.96
Redland Fin. XW 9½ 91	25	90½	91	0	−3	10.91
Sears Roebuck 9 82	150	97⅛	97⅝	−0⅛	−0⅛	10.06
Sweden 9¾ 98	125	93⅞	94⅜	+0⅛	−0⅛	10.17
UK 8½ 85	200	95⅛	95⅝	0	−0⅛	9.73
UK 8⅞ 93	150	93½	94	0	0	9.91

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
American Ex. Int. 5½ 87	70	96⅞	97⅜	+0⅞	0	5.94
Argentina 6½ 88	150	95	95½	−0⅛	−0½	7.17
Australia 6 88	250	99¾	100¼	+0⅛	+0½	5.99
Austria 5¾ 90	150	92⅛	92⅝	+0⅛	+0½	6.71
Bankamerica 5¾ 90	150	98	98½	0	0	5.96
Bq. Ext. Algerie 7¾ 85	100	96⅛	97⅛	+0⅛	+1	7.88
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 5⅜ 88	15	[illegible]	[illegible]	[illegible]	[illegible]	7.86
Australia 5.8 83	30	[illegible]	[illegible]	[illegible]	[illegible]	6.02
Australia 6.8 88	20	[illegible]	[illegible]	[illegible]	[illegible]	7.83
BFCE 6.4 90	10	[illegible]	[illegible]	[illegible]	[illegible]	7.70
Eurofima 6.3 90	10	[illegible]	[illegible]	[illegible]	[illegible]	7.56
Finland 5.6 83	10	[illegible]	[illegible]	[illegible]	[illegible]	6.27
Finland 6.8 88	10	[illegible]	[illegible]	[illegible]	[illegible]	7.63

OTHER STRAIGHTS; SWISS FRANC STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
March 2 ...	95.22	8.67	88.68	9.43
Feb. 23 ...	95.22	8.64	88.90	9.41
High '79 ...	95.75	(1/2)	89.99	(30/1)
Low '79 ...	94.40	(11/1)	88.67	(28/2)

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week ...	856.8	1,821.6
Previous week ...	738.7	1,883.3
Other bonds		
Last week ...	288.0	392.6
Previous week ...	282.4	350.1

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Bondtrade; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Krediet Bank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on March 2

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1978 Feb. Rolls-Royce Silver Shadow II Saloon. Walnut, Champagne leather.
1978 Mar. Rolls-Royce Silver Shadow II Saloon. Silver Chalice, Blue Everflex roof, Surf Blue leather. Speedometer reading 3,500 miles.
1976 Aug. Rolls-Royce Silver Shadow Saloon. Walnut, Beige leather. Speedometer reading 18,000 miles. £26,750
1976 Aug. Rolls-Royce Silver Shadow Saloon. Willow Gold, Black Everflex roof, Black leather. Speedometer reading 19,000 miles. £26,750
1976 Jan. Rolls-Royce Silver Shadow Saloon. Walnut, Beige leather. Speedometer reading 41,000 miles. £25,000
1973 May Rolls-Royce Silver Shadow Saloon. Black over Walnut, Black leather. Speedometer reading 38,000 miles. £18,950
1973 May Rolls-Royce Silver Shadow Saloon. Caribbean Blue, Dark Blue Everflex roof, Magnolia leather. Speedometer reading 56,000 miles. £17,950
1971 Aug. Rolls-Royce Silver Shadow. Caribbean Blue. Black Everflex roof, Dark Blue leather. Speedometer reading 62,000 miles. £14,950
1971 Oct. Rolls-Royce Silver Shadow. Deep Indigo Blue. Black Everflex roof, Dark Blue leather. Speedometer reading 65,000 miles. £14,950
1969 June Rolls-Royce Silver Shadow HJM/PW 2-door Saloon. White, Black Everflex roof, Black leather. Speedometer reading 81,000 miles. £14,750

GUILDFORD
Woodbridge Road, Guildford, Surrey. Tel. 69231. Tlx. 859255

1978 Aug. Rolls-Royce Silver Shadow II in Willow Gold with Brown hide and Brown Everflex roof. Under 2,000 miles indicated. Price on application
1977 May Rolls-Royce Silver Shadow II in Silver Sand with Dark Brown hide. 25,000 miles indicated. Price on application
1977 Feb. Rolls-Royce Silver Shadow LWB Saloon in Oxford Blue with cloth upholstery. 24,000 miles indicated. £29,950
1977 Jan. Rolls-Royce Silver Shadow in Le Mans Blue with Grey hide interior and Black Everflex roof. 22,000 miles indicated. £27,500
1974 June Rolls-Royce Silver Shadow in Shell Grey with Blue hide and Black Everflex roof. 17,500 miles indicated. £24,225

TORQUAY
Lisburne Square, Torquay. Tel. (0803) 24321

1977 Oct. Rolls-Royce Silver Shadow Series II Saloon finished in Champagne with Brown hide upholstery. Speedometer reading 4,000 miles. Competitively priced
1974 Feb. Rolls-Royce Silver Shadow Saloon finished in Walnut over Regency Bronze. Speedometer reading 48,000 miles. A beautiful and very well maintained motor car. £19,850
1969 Bentley T Series Saloon finished in Shell Grey with Red hide upholstery. One owner from new. Speedometer reading 32,000 miles. Recently recellulosed. Full service history. A truly remarkable and magnificent motor car. £16,000
1965 Mar. Bentley S3 finished in Pacific Green with Tan hide upholstery. Recently recellulosed. A beautiful car that must be seen. Only £10,950

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1978 Lancia Beta 2000 Spyder Convertible with Hard Top. Finished in Metallic Red with Tan interior. One owner. Radio. Low recorded mileage. £4,995
1975 Mercedes 280SE Automatic Saloon. Finished in Metallic Blue with matching interior. £8,995

REIGATE
London Road, Reigate. Tel. 46881

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New Rover 2600 5-speed. PAS. Finished in Platinum.
New Rover 2300 5-speed. PAS. Finished in Midas.
1978 Jaguar 5.3 Injection Saloon Auto. Finished in Dark Blue with Biscuit leather. Air conditioning. Chrome wheels. Radio/stereo. Indicated mileage under 3,000. £11,950
1977 Jaguar 4.2 Coupe Auto. Finished in Carriage Brown with Biscuit leather. Chrome wheels. radio/cassette. Indicated mileage under 15,000. £8,950
1976 Jaguar 5.3 Injection Saloon Auto. Finished in Dark Blue with Biscuit leather. Air conditioning. XJS alloy wheels. Electric sunroof. Indicated mileage under 23,000. £7,995
1979 Rover 2600 Auto. Finished in Dark Green Metallic with Brown nylon. Power steering. Tinted glass. Electric windows. Indicated mileage under 1,000. £6,995
1978 Citroen CX 2400 "Familiale" 8-seater Estate. Finished in Gold with Brown velour. Indicated mileage under 9,000. £5,995
1976 Daimler 3.4 Sovereign Auto. Finished in Regency Red with Sand cloth. Indicated mileage under 30,000. £5,945
1977 Lancia Spyder 1600 Convertible with Hard Top. Finished in White with Brown Parchment. Indicated mileage under 9,000. £4,595
1976 Ford Granada 3000 GL Estate Auto. Finished in Dark Blue with Blue cloth. Indicated mileage under 29,000. £4,395

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Shell Grey with Red Hide

1976 ROLLS-ROYCE SILVER SHADOW SALOON
Caribbean Blue with Red Hide. 28,000 miles

1974 ROLLS-ROYCE LONG WHEELBASE SALOON WITHOUT DIVISION
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BMW

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1978 733 i Auto. finished in Reseda Green with Moss velour, sunshine roof, alloy wheels, tinted glass, electric windows, centre locking, radio, 8,000 miles, 1 owner, service history. £14,450 or £375 monthly.
1978 'T' 633 CSi Auto. finished in Iberian Red with Black Hide upholstery, air cond., electric sunroof, Mahle wheels, limited slip diff., radio/stereo, head lamp wash-wipe, 800 miles. £17,950 or £466 monthly.
1977 320 Auto. finished in Fiord Blue with Blue cloth upholstery, tinted glass, alloy wheels, radio, supplied and serviced by ourselves, 14,000 miles. £5,495 or £142 monthly.
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Funds in Court

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G. & A. Trust (a)(g)

Gartmore Fund Managers (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a)(c)(g)

Hill Samuel Unit Tst. Mgrs. (a)

Intel

Investment Intelligence Ltd.

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Lawson Secs. Ltd. (a)(c)

Legal & General Tyndall Fund

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

M & G Group (y)(c)(z)

ManuLife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd. (a)

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National and Commercial

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schlesinger Trust Mngrs. Ltd. (a) (z)

J. Henry Schroder Wagg & Co. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Sebag Unit Tst. Managers Ltd. (a)

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd. (a) (g)

Target Tst. Mgrs. (Scotland) (a) (b)

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co.

Tyndall Managers Ltd.

TSB Unit Trusts (y)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

Wieler Growth Fund

INSURANCE AND PROPERTY BONDS

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Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

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City of Westminster Assur. Soc. Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life Assurance Co. Ltd.

Crusader Insurance Co. Ltd.

Eagle Star Insur/Midland Assur.

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Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assurance Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

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M & G Group

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Royal Insurance Group

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Transinternational Life Ins. Co. Ltd.

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Tyndall Assurance/Pensions

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Vanbrugh Pensions Limited

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Arbuthnot Securities (C.I.) Limited

Australian Selection Fund NV

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Barclays Unicorn Int. (I.o.Man)

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Butterfield Management Co. Ltd.

Capital International S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

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The English Association

Eurobond Holdings N.V.

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Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

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M & G Group

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World Wide Growth Management

Wren Commodity Trust

NOTES

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FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
17M	17S	Treasury 3pc '79‡‡	96⅞xd	8.2	3.09	9.09
26M	26S	Electric 4¼pc '74-79	97⅜xd	21.8	4.36	9.15
1M	1N	Treasury 10½pc '79‡‡	99⅝	25.9	10.53	11.01
15M	15N	Electric 3½pc '76-79	95¾	9.10	3.65	9.89
3M	3S	Treasury 9pc 1980‡‡	98	25.1	9.18	11.14

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

Interest Due		Stock	Price £	Last xd	Yield
11J	11J	Do. 11pc Uns.Ln. '88	90	11.12	12.48	13.10
11J	11J	Do. 11¼pc Uns.Ln. '90	90½	11.12	13.29	13.80
30 Je	31 D	Do. 7¾pcADeb. '89-92	63½	27.11	11.81	13.50
31Mr	30S	Do. 7¾pcA Db. '91-94	60½xd	12.2	11.98	13.30
31Mr	30S	Do. 9pc 'A' '91-94	72xd	12.2	12.50	13.30
28F	31A	Do. 8⅝pcLn '92-97	68½xd	29.1	12.97	12.96

FOREIGN BONDS & RAILS

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
—		Antofagasta Rly.	22	8.71	—	—
1J	1J	Do 5pc Pref.	40	13.11	—	—
1J	1J	Chilean Mixed	98	2.10	—	13.10

BONDS & RAILS—Cont.

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 44¼% (based on US$2.0220 per £)
Conversion factor 0.6933 (0.6928)

CANADIANS

[illegible]

S.E. List Premium 44¼% (based on $2.3972 per £)

BANKS AND HIRE PURCHASE

[illegible]

		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's	P/E
Jan.	Apr.	Dawes (G R.)	15	18.10	—	—	—	—
—		Deutsche Bank DM50	£107	—	Q18%	—	2.2	—
—		F. C. Finance	65	16.10	†2.03	2.6	4.7	12.4
—		First Nat. 10p	7	9.74	—	—	—	0.5
—		Do. Wrrts. 75-83	2½	—	—	—	—	—
—		Fraser Ans. 10p	14¼	8.76	—	—	—	—
June	Dec.	Gerrard Natnl.	204	30.10	g9.12	—	6.7	—
May	Nov.	Gibbs (A.)	60	2.10	2.23	—	5.5	—
Mar.	Aug.	Gillett Bros. £1	232xd	26.2	16.95	—	10.9	—
June		Goode D't Mry 5p	25½	17.4	0.13	—	0.7	—
Nov.	April	Grindlays	130	21.8	3.07	q7.9	3.6	3.7
April	Oct.	Guinness Peat	105	12.2	H5.67	—	8.1	—
Dec.	July	Hambros	190	27.11	†9.76	—	7.7	—
Dec.	July	Hill Samuel	88	13.11	†4.97	—	8.4	—
—		Do. Warrants	55	—	—	—	—	—

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

Head Office: Bracken House, 10, Cannon Street, London EC4P 4BY

Telex: Editorial 886341/2, 883897. Advertisements: 885033. Telegrams: Finantimo, London.

Telephone: 01-248 8000.

Frankfurt Office: Frankenallee 68-72, 6000 Frankfurt-am-Main 1.

Telex: Editorial 416052. Commercial 416193. Telephone: Editorial 7598 234. Commercial 7598 1

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INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
July	Feb.	Hawkins & Tipson	65	2.1	4.46	2.4	10.2	4.8
—		Hawtin 5p	18½	11.73	—	—	—	18.7
Dec.	June	Hay (Norman) 10p	71	2.5	†3.05	2.1	6.4	11.0
Dec.	July	Hay's Wharf £1	158	27.11	5.52	2.7	5.2	9.5
June	Nov.	Hepworth Cmc.	81½	18.9	3.35	3.8	6.1	6.2
Dec.	June	Hestair	64	13.11	t6.99	3.1	16.3	(2.5)
May		Hewitt (J.) 5p	25	3.4	1.05	4.3	6.3	5.7
Dec.	July	Highgate & Job 50p	51	26.6	‡2.54	2.4	‡	8.5
July	Nov.	Hill (Chas.) £1	94	15.5	‡7.37	—	‡	—
Nov.	Apr.	Hirst Mal'son 20p	38½	26.2	12.6	ϕ	9.7	6.1
Jan.	July	Holden (A.)	80	27.11	g3.62	3.9	6.8	6.3
Feb.	Sept.	Hollis Bros.	69	15.1	†4.56	1.8	9.9	8.4
Dec.	July	Holt Lloyd Int. 10p	169	16.10	†7.31	2.0	6.3	12.3
Apr.	Sept.	Hoover 'A'	188	21.8	12.0	ϕ	9.9	ϕ
Dec.	July	Hoskins & H 20p	135	23.10	M10.39	2.0	11.5	11.5
Feb.	Oct.	Howard Tenens	27¾	11.12	1.91	1.9	10.5	6.3
Nov.	July	Hunting Assoc.	185	16.10	th1.99	9.2	1.6	10.2
May	Nov.	Huntleigh 10p	77	18.9	th0.68	7.0	1.3	16.4
December		Hutch Whamp SHK1	59	15.5	†Q20c	2.3	4.0	12.1
Oct.	July	Hyman (I. & J.) 5p	28	18.9	h0.97	3.9	5.1	7.6
—		††IAS Cargo Air	97	—	Pd2.8	2.5	4.3	(8.0)
—		Do. 6% Cnv. Pref.	140	—	6.0%	11.2	6.4	—
Ap.,Jy.,O.,Ja.		I.C. Industries$	£17½	12.12	Q51.52	—	4.4	—
July	Feb.	ICL £1	490	2.1	8.29	7.4	2.6	5.8
April	Sept.	Imp. Cont. Gas £1	400	29.1	g9.96	3.3	3.7	9.4
May	Nov.	Ingall Inds. 10p	31	16.10	1.87	1.6	9.0	10.5
Jan.	Aug.	Initial Services	100	2.1	ϕ5.06	2.8	7.6	6.7
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

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Commercial Vehicles

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Components

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Garages and Distributors

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TOBACCOS

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TRUSTS, FINANCE, LAND

Investment Trusts

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INVESTMENT TRUSTS—Cont.

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Finance, Land, etc.

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OVERSEAS TRADERS

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RUBBERS AND SISALS

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TEAS

India and Bangladesh

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Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

MINES—Continued

AUSTRALIAN

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Acmex	14	—	—	—	—
Nov.	Apr.	Bougainville 50 Toea	160	14.3	Q15c	1.4	6.0
—		BH South 50c	136	9.74	—	—	—
—		Central Pacific	425	—	—	—	—
Oct.	May	Conzinc Riotinto 50c.	308	14.3	§Q10c	ϕ	2.0
—		Cultus Pacific N.L.	31	—	—	—	—
—		Endeavour 20c	18	—	—	—	—
—		G.M. Kalgoorlie $1.	98	6.67	—	—	—
—		Haoma Gold N.L.	35	—	—	—	—
September		Hamptn Areas 5p.	153	15.1	ϕ3.55	2.0	3.5
—		Metals Ex. 50c	46	—	—	—	—
Dec.	Apr.	M.I.M. Hldgs. 50c	265	16.10	†Q9c	1.7	1.9
—		Minefields Expl.	15	—	—	—	—
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

[illegible]

GOLDS EX-$ PREMIUM

[illegible]

NOTES

[illegible]

"Recent Issues" and "Rights" Page 33

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OPTIONS

3-month Call Rates

[illegible]

FINANCIAL TIMES

Monday March 5 1979

FT BUSINESS OPINION SURVEY

Industry loses confidence

FINANCIAL TIMES REPORTER

INDUSTRY'S CONFIDENCE about the prospects for the UK economy has fallen to its lowest level since the end of 1976, when the International Monetary Fund deal was being negotiated.

That is indicated by the latest Financial Times survey of business opinion, published this morning.

Executives in mechanical engineering, chemicals and oils, and transport and shipping referred to recent strikes, inflation prospects, low world trade and the Government's apparent inability to create a sound economic and industrial climate as contributing to the decline in their optimism about the UK economy.

The interviews were undertaken at the end of January and in the first two weeks of February, the peak of the recent wave of strikes and industrial disputes.

In view of the slight easing of labour relations in the past fortnight and projections of slower inflation, businessmen might be less pessimistic.

The detailed answers correspond broadly with those of the latest Confederation of British Industry monthly trend inquiry, published a month ago.

In particular, the FT survey points to eased demand pressures, with all three sectors less inclined to report increased orders than when asked in October. Export prospects are also less favourable, because of sluggish world demand and increased price competition.

The change is reflected in the trend of deliveries and in replies about expected levels of stocks and bought-in supplies.

The survey suggests that industry is expecting wage costs to rise faster over the next 12 months. The median forecast increase has risen from just below to just above 12 per cent after stability for the past six months. The expected rise in total unit costs and output prices has accelerated slightly faster.

Details Page 6

EARNINGS ON CAPITAL

Those expecting earnings during the current year to:	4 monthly moving total				February 1979		
	Nov.-Feb. %	Oct.-Jan. %	Sept.-Dec. %	Aug.-Nov. %	Eng'g. (non-elect.) %	Chems. & Oils %	Ship. %
Improve	57	51	49	48	49	68	43
Remain the same	22	19	17	17	21	32	3
Contract	11	17	22	22	3	—	27
No comment	10	13	12	13	28	—	27

Thomson CSF wins $100m Soviet contract for phone equipment

BY MAX WILKINSON AND TERRY DODSWORTH

THOMSON CSF, the French electronics group, has broken into the international telephone equipment market with a major contract from the Soviet Union, believed to be worth more than $100m.

The contract, for the supply of technology and manufacturing plant for 1m lines a year for its new computerised MT-20 exchange system, is the first important overseas sale of modern digital switching equipment since the company moved into the market three years ago.

Thomson, and its French rival CIT-Alcatel are now both competing for the overseas business for which the British Post Office System X will be aiming when it is officially launched into the international market this September.

Thomson's deal with Russia is an important milestone in the French Government's programme of support for its telecommunications manufacturers.

The MT-20 exchanges, which are the basis of the Russian contract, were developed by LMT (Le Matériel Téléphonique) which ITT was forced to sell to Thomson three years ago. At the same time, Thomson acquired control of Swedish LM Ericsson's subsidiary in France.

The MT-20 is a fully digital system which is an advance on the earlier generation of computer-controlled exchanges developed by ITT—the Metaconta system.

The Russian contract follows a smaller contract for Thomson in Greece for an MT 20 exchange. Thomson is also negotiating hard for business in Turkey (where production of 200,000 lines of equipment a year is projected) in Bulgaria and in several African States.

Meanwhile CIT Alcatel has been scoring a number of international successes with its E10 series of exchanges which are also fully digital. It has recently won an $8m contract in Sri Lanka, for 28,000 lines in Colombo. The E10 system has now been chosen by 14 different countries including Finland which will be building the exchanges under licence.

CIT Alcatel, a subsidiary of CGE (Compagnie General d'Electricite) has also been very active in Egypt, where bids are shortly to be invited for a $1.4bn telephone network modernisation scheme.

CIT has recently installed a new E10 exchange system in Alexandria which it flew out in six months, largely as a marketing exercise. Its efforts appear to have persuaded the Egyptians to modify an earlier plan to give all the work to an American consortium, and to split up the contract for international tender.

Meanwhile in the UK, the British telecommunications companies announced yesterday the setting up of a joint promotional campaign for their System X. This is to be exhibited for the first time at the TELECOM 79 exhibition in Geneva.

Continued from Page 1

UK-China

needed quicklyfi demonstrate the willingness of financial institutions to become involved.

Mr. Varley's visit has been a success because it has increased and formalised economic and industrial activity between the two countries.

Some contract negotiations in areas such as coal-mining and power-station building has been given a boost, and all the ten businessmen say that they have made valuable new contacts which could lead to orders later in areas such as construction equipment and diesel engines.

Business missions are to be exchanged between the two countries on aircraft sales, including the controversial Harrier jump jet, which was given a low priority this week.

Other missions will deal with coal-mining, coal sales, other mineral mining, railways, power generation, including hydro-electric installations, and telecommunications.

But all falls far short of the initial hopes of the Government, and especially the Industry Department, which thought late last year that the signing would be linked with conclusion of firm contracts for steelworks, power stations, coal mines, and other projects, possibly including the Harrier.

Both the Government and individual industrialists may have been over-optimistic about the ease with which Chinese orders could be obtained.

The Chinese are trying to offset costs of their projects by counter-trading and setting up joint ventures and other collaborative arrangements.

These may, for example, include the UK's helping China to sell her coal, and British Aerospace offering to make aeroplane parts in China, if it receives substantial orders for its 146 feeder jet-liner.

Labour Left wants £3bn public spending rise in manifesto

BY ELINOR GOODMAN, LOBBY STAFF

AS LABOUR MPs reluctantly faced the possibility of an early election, Labour Left-wingers launched a bid at the weekend to push discussion over the party's manifesto sharply to the left.

In contradiction of present Government policies, the Labour co-ordinating committee demanded priority for creating full employment rather than overcoming inflation, and for an immediate increase in public spending of £3bn.

The committee, whose members include Mr. Michael Meacher, a junior Minister at the Department of Trade, and certain more influential Left-wing backbenchers such as Mr. Bryan Gould and Mr. Brian Sedgemore, argued that Britain should expand its economy unilaterally.

Going considerably further than the party's National Executive Committee, it insisted on the inclusion in the manifesto of such traditional Left-wing demands as compulsory planning agreements, the abolition of public schools and the House of Lords, and a switch to single-Chamber government.

The committee, normally associated with Mr. Anthony Wedgwood Benn but this time was apparently acting independently of him, yesterday circulated all local Labour Parties with details of its alternative manifesto.

Since the document is far more radical than the draft manifesto that the NEC produced and which the Cabinet is determined to water down before an election, it is highly unlikely that any of the co-ordinating committee's most controversial proposals will get into the final version.

Nevertheless, the document may influence the outcome of the manifesto discussions by strengthening the resolve of Left-wingers on the NEC not to be steamrollered into accepting a more moderate line at the joint meeting of the Cabinet and the executive before an election.

Farmers need 15% support rise

BY CHRISTOPHER PARKES

BRITISH FARMERS need an increase in support prices for staple products of more than 15 per cent this year if a further drop in incomes is to be prevented, according to Mr. Richard Butler, president of the National Farmers' Union.

Government figures show incomes fell 11 per cent in real terms during 1978.

In a letter to the Minister today, Mr. Butler says the price increase was necessary if the farming industry was to advance along the expansion guidelines laid down in the recent White Paper, Farming and the Nation.

He claimed a 15 per cent devaluation of the "green pound"—which would raise support prices in the UK by about 16 per cent—would increase retail prices of food by about 3 per cent and add less than 1 per cent to the cost of living index.

The "green pound" is the artificial exchange rate used for translating EEC farm prices fixed in units of account into sterling. At present it is 29.7 per cent over-valued.

When applied to the Ministry of Agriculture's conversion formula, the 15 per cent adjustment would boost food prices by 4p in the pound.

Mr. John Silkin, Agriculture Minister, will be seeking a 5 per cent devaluation in the "green pound" at the meeting of Common Market Ministers in Brussels today. This would add less than 1 per cent to the food price index, the Ministry of Agriculture says. This would raise the cost of the weekly shopping for a family of three by 17p.

While Mr. Silkin aims to push throug a modest price rise for UK farmers—and it is likely he may bid for a further 5 per cent later in the year if he is still in the ministerial chair—he is insisting on a freeze in the "common" price levels.

The Commission, too, is aiming for a price standstill. There are, however, increasing signs that the weight of support inside the Council of Ministers is shifting to the side of the group seeking a modest increase in common levels.

Drug-makers cut supply to maintain price

BY SUE CAMERON, CHEMICALS CORRESPONDENT

DRUG MANUFACTURERS have started cutting off supplies of prescription medicines to wholesalers in a determined drive to enforce pharmaceutical resale price maintenance.

Smith Kline and French, the U.S. drug group, has completely stopped supplies of prescription medicines to Macarthys, one of the largest UK pharmaceutical wholesalers.

Beecham, the UK pharmaceutical group, has removed Macarthys from its authorised list of approved wholesalers and reduced the discount it normally offers Macarthys on National Health Service prices from 15 per cent to 10 per cent.

A few weeks ago Smith Kline and French halted all prescription drug supplies to Sangers and to Barclay, two major British pharmaceutical wholesalers. It has since reached agreements with both wholesaling companies, and deliveries to them have been resumed.

The big drug manufacturers say the long-running row over pharmaceutical resale price maintenance has erupted because they have finally managed to obtain hard evidence of the scheme being breached by wholesalers.

The Government-approved scheme bans wholesalers and retail chemists from selling prescription drugs for less than the price laid down by the manufacturer.

The aim of the scheme—resale price maintenance has been abolished for all goods except pharmaceuticals and books—is to prevent wholesalers launching a price war that could cause added suffering to the sick.

Manufacturers claim some wholesalers circumvent the scheme, though not by cutting price of prescription drugs as such. Yesterday Macarthys blamed smaller wholesalers for taking the lead in breaching the scheme.

Macarthys said: "We were in favour of resale price maintenance but the scheme has now effectively broken down. It is impossible to police it—the average retail chemist is not going to complain to the drug producers if he is offered a discount of some sort.

"We believe that one reason the drug manufacturers have started cracking down on this company is that we have been honest about our activities. We have not directly breached the rules of the scheme."

Smith Kline and French yesterday (March 4) agreed that price maintenance was difficult to police, but said it was important to continue the scheme because wholesalers could stay in business in the event of a price war only by reducing standard of service.

Monetary control reform urged

By Peter Riddell, Economics Correspondent

RADICAL CHANGES in the present system of monetary control with wide implications for banks and the discount market are proposed today by W. Greenwell, City stockbrokers.

The Bank of England and the Treasury have started a review of the management of the gilt-edged market in the wake of last month's confused events, in which much stock was sold at well below subsequent market prices.

The brokers, leading gilt market specialists, say that "people are right to be uneasy" about sharply changing gilt market and interest-rate conditions. Although the underlying cause of the difficulties is the huge budget deficit, the obstacles have been aggravated by the system of control, dating from the Competition and Credit Control statement of 1971.

Instead, they urge a change to a monetary base method of control which involves redefining bank reserve assets. That would reduce the role of the gilt-edged market and the discount houses.

W. Greenwell say that even within the present system, useful changes might include a more aggressive policy of selling tap stocks rather than relying on raising interest rates sharply whenever sales dry up or flirting with tender methods.

Under the suggested monetary base system the reserve assets of the banks, on which they gear their operations and lending, would correspond directly with the liabilities of the central bank.

The main advantage of a change, according to the brokers, would be that a whole range of instruments and markets and the combination of those would be sufficient to provide the Government's residual financial needs, which would no longer have to be provided by the banks.

The brokers say that a monetary base method would provide a continuous, effective way of curbing excessive monetary growth, help to reduce the burden of debt interest if inflation falls; promote competition between banks, be much less complicated than at present; allow banks and discount houses to concentrate on practical banking; and allow the authorities not to be enforced sellers of long-dated gilt-edged stocks over short periods.

Weather

UK TODAY

DRY in most areas.

N. Wales, N. England, Isle of Man
Bright intervals, becoming cloudy, mostly dry. Wind S.W. fresh or strong. Max. 9C (48F).

Rest of England
Dry, bright periods. Max. 11C (52F).

Borders, E. Scotland, Moray Firth
Bright intervals, perhaps showers later. Wind S.W., strong, locally gale. Max. 7C (45F).

Rest of Scotland, Islands, N. Ireland
Occasional showers. Wind S.W., strong or gale. Max. 5-7C (41-45F).

Outlook: Becoming colder. Rain then showers—wintry in places.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	14	57	L. Plms.	S	18	64
Algiers	C	12	54	Lisbon	S	14	57
Amsdm.	F	7	45	Locarno	S	12	54
Athens	S	15	59	London	S	10	50
Bahrain	S	22	72	Luxmbg.	R	7	45
Barclna.	F	13	55	Madrid	S	14	57
Beirut	S	17	63	Majorca	F	17	63
Belfast	F	6	43	Malaga	S	20	68
Belgd.	F	13	55	Malta	C	14	57
Berlin	R	6	43	M'chstr.	S	7	45
Biarritz	F	14	57	Melbne.	C	25	77
Bmghm.	S	8	46	Milan	S	12	54
Blackpl.	S	7	45	Mntreal.	R	3	38
Bordx.	C	13	55	Moscow	R	2	36
Boulgn.	F	7	45	Munich	F	11	52
Bristol	F	9	48	Nairobi	S	25	77
Brussels	R	5	41	Naples	F	15	59
Budpst.	F	11	52	N. York	C	4	40
B. Aires	R	20	68	Nice	S	15	59
Cairo	S	21	71	Nicosia	S	19	66
Cardiff	S	8	46	Oporto	C	12	54
Cas'b'ca	S	16	61	Oslo	S	6	43
Cape T.	S	24	75	Paris	R	10	50
Chicago	C	2	36	Perth	S	34	93
Cologne	R	10	50	Prague	S	8	46
Cpnhgn.	F	4	39	Reykjvk.	S	−7	19
Corfu	S	15	59	Rhodes	S	18	64
Dublin	F	8	46	Rio Jo	S	28	82
Dbrvnk.	S	13	55	Rome	S	17	63
Edinbgh.	F	6	43	Salzbrg.	S	12	54
Faro	S	18	64	Singapr.	R	25	77
Florence	S	16	61	Stckhm.	S	3	37
Frankft.	R	10	50	Strasbg.	C	11	52
Funchal	C	17	63	Sydney	R	21	70
Geneva	F	12	54	Tangier	S	16	61
Gibrltr.	S	19	66	Tehran	S	4	40
Glasgow	F	6	43	Tel Aviv	S	19	66
G'nsey	S	8	46	Tenerife	S	13	55
Helsinki	S	3	37	Tokyo	R	2	36
H. Kong	S	19	66	Toronto	R	5	42
Innsbrk.	S	12	54	Tunis	F	14	57
Invrnss.	R	4	39	Valencia	S	19	66
I.o.Man	S	7	45	Venice	S	12	54
Istanbul	F	10	50	Vienna	S	13	55
Jersey	F	8	46	Warsaw	C	5	41
Jo'burg	S	24	75	Zurich	C	9	48

C—Cloudy. F—Fair. Fg.—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

THE LEX COLUMN

Equities and the profits threat

Last week as two major companies, EMI and Hoover, warned of dividend cuts, sterling reached a trade-weighted index level of 64.5. To the dismay of exporters battling with labour costs which have risen at much faster rates than for major overseas competitors, sterling is at its highest for nearly a year, and against the dollar is at roughly the rate it was three years ago. Yet on Friday the FT Actuaries All-Share Index stood within 1 per cent of its all-time high. Is the equity market blithely ignoring the threat of a nasty squeeze on the corporate sector, or has it already discounted such a phenomenon?

The market has certainly not ignored the problems of the manufacturing sector: that much is clear from this year's leaders and laggards table. Bunched at the top are the financial and other service sectors—property, banks, food retailers, and entertainment. Struggling at the bottom are textiles, motors, and various exporting sectors both visible (like engineers and toymakers) and invisible (like insurance brokers). There are one or two exceptions to the rule, like the strength of electronics, and the political weakness of the breweries (which are well insulated from import pressures).

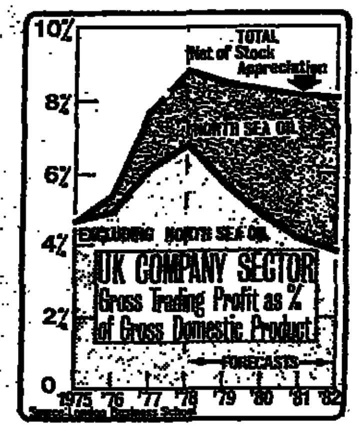
But it is a consistent picture for an economy which seems more likely over the next few years to be suffering from the Dutch disease than the spiral of devaluation which has dominated stock market thinking in the past 15 years.

Back on trend

Between the catastrophic year of 1974 and 1978 the profitability of British companies was recovering strongly. The share of gross trading profits, net of stock appreciation, in the gross domestic product had recovered by last year roughly to the long term trend line (though the trend is a declining one).

While conventionally measured pre-tax profits increased only by about 8 per cent last year, according to the latest estimates of brokers Phillips and Drew, this takes no account of the sharp slowdown in stock appreciation.

The CSO's estimates of gross trading profits of industrial and commercial companies (excluding North Sea oil) net of stock appreciation indicate a rise of 19 per cent in the first nine months of 1978. This improvement in the prosperity



of the corporate sector has been reflected in the requirement for external funds: the corporate sector's financial deficit appears likely to have shown only a modest rise from the low level of 1977.

From here on the going is likely to get stickier, however. P and D, for instance, have been revising down their earlier estimates for pre-tax profits growth in 1979, and are now talking about a range of 10-14 per cent. Moreover, the quality of this growth will be poor; it will reflect a sharp rise in stock appreciation because of more rapid growth in wage costs and in raw material prices.

Elsewhere, the latest set of forecasts last week from the London Business School also projected a deterioration in the financial health of the corporate sector. Non-North Sea gross trading profits net of stock appreciation, after a rise of 17 per cent in 1978, are forecast to fall by 2 per cent in 1979. In fact there is estimated to be an overall improvement, at current prices, of less than 8 per cent over the next three years, a period which according to the LBS will see cumulative inflation of 36 per cent. The result will be a sharp fall in the share of profits in GDP starting this year and continuing into the early 1980s.

Exchange rate

Moreover, the current behaviour of sterling could make the immediate squeeze even sharper. The profit estimates are based upon a trade-weighted depreciation of 3½ per cent during 1979. So far, however, there has been an actual appreciation of close on 1 per cent.

The pressures will not be evenly spread throughout the company sector, however. P and D point out that about a quarter of UK domestic profits are made by retailing and brewery companies, profits of which have never actually fallen in any calendar year since 1966. The problem will be essentially one of international competitiveness, and thus will affect exporters and companies facing import competition in the domestic market (of which Hoover is an obvious extreme example).

Moreover a substantial proportion of the profits of many large British companies is generated by subsidiaries overseas, where earnings should be reasonably buoyant given the pickup in the growth of world trade.

So a profits squeeze concentrated upon the domestic manufacturing sector is not necessarily going to have a severe impact on the stock market as a whole. And it is worth bearing in mind that there has been a strong correlation in recent years between the behaviour of currencies and domestic stock markets: the strength has been seen in markets like Japan and Germany, and the weakness in markets like Wall Street, even when this has not fitted in with short-term profit trends. It could be dangerous to be bearish about UK share prices if sterling is to be relatively firm, or at least is not to show weakness.

Going Dutch

A key factor in the performance of the stock market will be the response by companies to a profits squeeze. If their investment plans are unresponsive then their cash deficit will expand and the stock market will come under pressure. Some brokers are now projecting a big rise in rights issues as the beleagured manufacturing sector is squeezed out of the banks by a tight monetary policy and turns to shareholders. Capel-Cure Myers, for instance, thinks rights issues could total anything up to £2bn. On the other hand, companies could conclude that if Britain is to suffer from the Dutch disease for a number of years then new manufacturing investment is unlikely to prove rewarding; industry could learn to live within its meagre means.

The corporate sector might hope for a degree of relief from a Conservative Government less ready than the present Administration to slap on price controls and further National Insurance surcharges, and prepared to cut back the public sector's demands for resources. But it is, as they say, a time for selectivity in the stock market.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London, EC4P 4BY.

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